JULY 2012

OFID Quarterly

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

Microfinance: confronting poverty, crisis and change

- Yunus on social business – the poverty-solving tool
- Ministerial Council issues Declaration on Energy Poverty
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Uniting against Poverty

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PUBLISHERS

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID)

Parkring 8, P.O. Box 995, A-1010 Vienna, Austria
Tel: (+43-1) 515 64-0; Fax: (+43-1) 513 92-38
Email: info@ofid.org
www.ofid.org

EDITOR-IN-CHIEF Mauro Hoyer Romero

EDITORIAL COORDINATOR Audrey Haylins

CONTRIBUTORS Reem Aljarbou, Damelys Delgado, Lilian El Rabadi–Al-Bazaz, Audrey Haylins, Anna Ilaria-Mayrhofer, Silvia Mateyka, Geoffrey Skipper, Fatimah Zwanikken

PHOTOGRAPHS Johannes Herberstein (unless otherwise credited)

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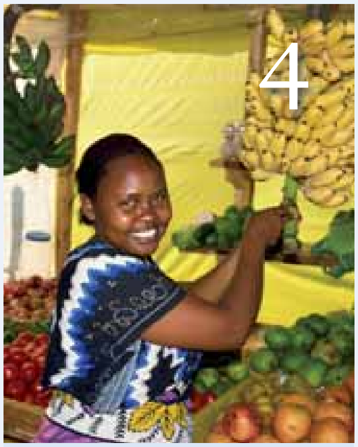

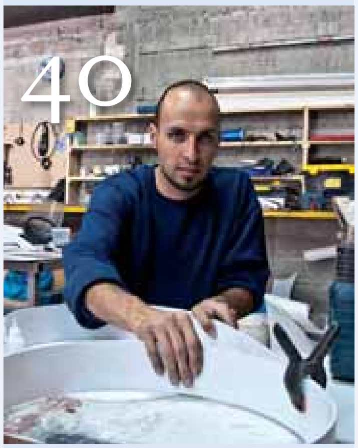

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Microfinance: tackling the roots of poverty alleviation

At a time of continued financial and economic uncertainty – and with high unemployment and reduced financing for development – the services offered by microfinance institutions (MFIs) have never been more critical.

The value of MFIs is clear: Who else would be willing to fund poor people with no income, no collateral and no credit history? The formal banking sector has little interest in such clients, and even less in the tiny amounts they seek to borrow. For the very poor, therefore, access to micro-credit is a vital lifeline – the difference between getting by and getting on, between making do and making a living.

Since the emergence of microfinance in the 1970s, revolutionary progress has been made in providing financial services to low-income individuals. In the past four decades, the industry has grown to include a wide spectrum of services, covering sectors as disparate as agriculture, energy, housing, health and education. In addition to the standard consumer and micro-enterprise loans, financial products now on offer include savings accounts, as well as micro-insurance against risks like death, illness and loss of property or harvest.

This progress aside, access to finance for the poor remains limited, and less than a third of all micro-entrepreneurs worldwide can obtain a microfinance loan. The potential, though, remains huge, especially in the fast-developing field of social business, which can offer creative solutions to a whole host of problems, including unemployment.

Microfinancing, and in particular its role in supporting a broader movement towards socially responsible businesses, was the theme of a symposium hosted by OFID in early June in collaboration with the *Arab Gulf Program for Development* (AGFUND). Held under the title "The role of donors in accommodating the basic needs of poor people through microfinance," the event brought together more than 40 industry experts, including microfinance pioneer and Nobel Peace Laureate Professor Muhammad Yunus.

The symposium acknowledged the exceptional contribution of MFIs to development and, at the same time, the need to expand the benefits of microfinancing to a much broader range of countries, especially in Africa. It noted, further, that there was scope to provide new services, to encourage household savings and to step up efforts to reach the ultra-poor.

Such expansion, however, would bring with it a number of challenges, most notably risk management and, in those countries where there is as yet no significant MFI presence, establishment of the necessary legal framework to allow for basic operations.

The greatest hurdle, however, is the question of funding. The concluding theme of the symposium was thus the need for the international development community to dig deeper into its pocket and channel more financial support to MFIs.

For its part, OFID has long recognized the value of microfinancing as a means of reaching out directly to the very poor, and its experience has been a positive one.

OFID delivers its support through a variety of mechanisms. In the public sector, concessional loans are provided to national *Social Funds for Development* for on-lending to the poor by specialized MFIs. Countries in OFID's portfolio include Egypt, Yemen, Ghana and Ethiopia in Africa, Nicaragua and Peru in Central and South America, and Vietnam and Pakistan in Asia.

Through its grants window, OFID has provided technical assistance to build human resources capacity in microfinancing techniques and technologies, and to enhance employment opportunities and access to markets for the urban and rural poor. Direct support to microfinancing is also provided, an example being the PalFund, a revolving facility created by OFID in 2002 to extend small loans to micro-entrepreneurs and artisans in Palestine. In Africa, meanwhile, as part of its *Energy for the Poor Initiative,* OFID is co-funding a scheme to support small businesses that distribute solar lanterns.

In countries where few or no financial institutions exist – or provide products of limited relevance to micro-enterprises – OFID supports the growth and deepening of a dynamic financial sector through its separate Private Sector Facility. Over time, OFID has channeled substantial sums to institutions specializing in inclusive finance for on-lending to micro-enterprises, enabling some 400,000 micro-enterprise sub-loans to be issued in about 42 countries to the benefit of more than one million low-income individuals.

While acknowledging the benefits of microcredit as a poverty alleviation tool, speakers at the OFID/AGFUND symposium warned of its limitations, stressing that it should be seen as an enabler rather than a source of self-sustaining growth. For micro-enterprises to flourish there must be a supportive environment. In other words, greater investment in economic infrastructure is essential, particularly in roads, energy and irrigation.

These conclusions come as no surprise to OFID. In 2011 alone, our support to the energy, agriculture and transportation sectors amounted to some US$534 million, representing over 70 percent of total commitments for the year. Add to that a further US$114.8 million to the financial sector, and it is clear where our priorities lie: with the millions of poor people whose simple ambition is the means to earn a living and work their way out of poverty. Nothing should stand in the way of such modest aspirations. ■

PHOTO: ROBERT HARDING PICTURE LIBRARY LTD/ALAMY

Microfinance: confronting poverty, crisis and change

Microfinance – broadly defined as programs that extend inclusive financial and other services to low-income individuals for self-employment projects – is widely regarded as an important tool for creating productive and decent employment, raising living standards and achieving the poverty reduction and related *United Nations Millennium Development Goals (MDGs).*

BY FATIMAH ZWANIKKEN

The poorest 2.7 billion people of the world – close to one-third of the global population – do not have access to the traditional banking sector. Either their income is too low, the amount required too small, the transaction cost too high, or they do not have the necessary collateral. They include the "bottom billion," who subsist on less than US$1.25 a day, and around two billion working poor – almost a quarter of whom are aged 15-24 – who survive on less than US$2 a day. Ninety percent of the rural population, including 500 million smallholders, do not have access to financing for development.

The vast majority of the working poor live in the developing countries, where social safety nets are weak, and where the bulk of the world's labor force and population growth is concentrated. Growth in the labor force has exceeded employment growth, particularly among the youth. As we enter the fourth year of the global economic and financial crises, the job crisis continues unabated, with one in three workers worldwide, or an estimated 1.1 billion people, either unemployed or living in poverty. According to the International Labor Organization (ILO), an estimated 600 million productive jobs will have to be created over the next decade to employ the 200 million currently unemployed and the 46 million new entrants to the labor market expected each year.

The challenge of the South is not only to address unemployment, but also to overcome what is called *vulnerable employment*, i.e. working in the informal sector in jobs with extremely low productivity, meager salaries, and difficult and often dangerous working conditions that undermine fundamental worker's rights. More than half of the world's working poor are self-employed and fall into this category.

Decent work is a human right and recognized as such in the 1948 Universal Declaration of Human Rights. According to Article 23 of the Declaration, "Everyone has the right to work, to free choice of employment, to just and favorable conditions of work, and to protection against unemployment." The Employment Policy Convention adopted by the ILO in 1964 further states that "Each Member shall declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment."

In the wake of the global financial crisis, the number in vulnerable employment has risen by 23 million to reach an estimated 1.52 billion people worldwide, or about half of the world's total labour force of 3.1 billion. This includes the half a billion workers who live on less than US$1.25 a day and the one billion who live on less than U$2 a day. For these individuals, very small loans on reasonable terms represent an opportunity to start up a micro-enterprise, generate income, ▶

◀ build assets, reduce economic vulnerability, and ultimately graduate out of poverty.

Microfinance clients are predominantly the moderately poor and vulnerable, low-income people. Few are ultra-poor or destitute. Often, they are self-employed, household-based entrepreneurs who work in the informal economy as a means to self-reliance in the face of high, systemic unemployment. Their diverse activities range from small retail shops and street vending to artisanal manufacture, service provision, food processing and trade.

Despite important progress towards financial sector development, access to finance for the poor remains limited, and many are still excluded.

Clients are frequently women engaged in income-generating activities that allow them to care for themselves and their families. The World Bank reports that some 552 million women joined the global labor force between 1980 and 2008. However, while the total number of working women reached 1.2 billion, compared to 1.8 billion men, the global unemployment rate for women also rose to 7.4 percent, compared with 7.0 percent for men. Moreover, women are more likely than men to get low-productivity, low-paid and vulnerable jobs, with no social protection, basic rights or voice at work. Women account for 58 percent of unpaid employment globally, and more than half of all working women are in vulnerable jobs.

Microfinance has been a particularly powerful catalyst for empowering poor working women, many of whom are single mothers and heads of families. Many microfinance institutions (MFIs) encourage the economic participation of women, who tend to devote a larger share of their income to improving the family's nutrition, health and education.

Recent trends

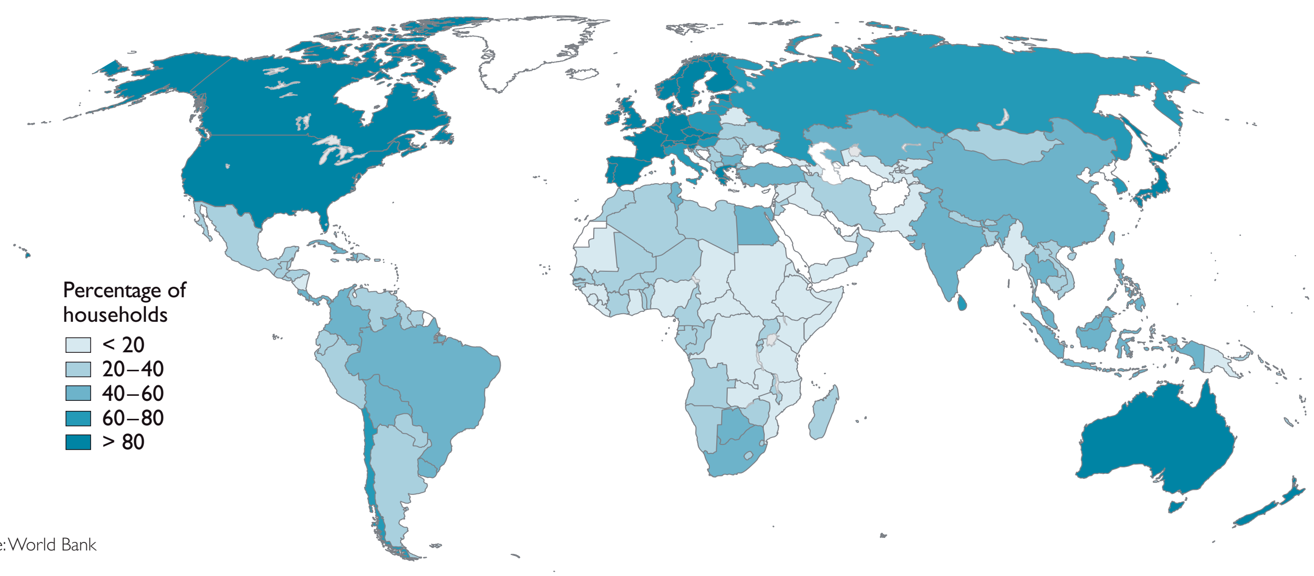
Since the emergence of microfinance in the 1970s, revolutionary progress has been made in improving access to financial services by low-income individuals. The pioneering of microfinance is often credited to the 2006 Nobel Peace Prize recipient Dr Mohammad Yunus, who started providing small loans to poor village women in Bangladesh in the 1970s, before establishing the Grameen Bank in 1983.

Today, an estimated 200 million clients are being served by some 3,000 microfinance institutions worldwide, with total accumulated assets of over US$60 billion. And these are only those institutions that report ther activities. Many thousands more are known to be operating. Since 2004, microfinance has entered the financial mainstream, with commercial funding entering the sector and the industry growing at a rate of 25-30 percent annually. Factors driving this growth include robust demand for microfinance services, the transformation of microfinance providers, the expansion of funding sources, and the use of technology.

Despite important progress towards financial sector development, access to finance for the poor remains limited, and many are still excluded. The private sector is expected to be the engine of socio-economic growth and employment creation. However, growth in the sector suffers from a lack of access to adequate financing, with an estimated 50-60 percent of micro- small- and medium-sized enterprises (MSMEs) in emerging markets being unserved or underserved.

Microfinance has not reached its potential market among the world's poor, and less than a

Percentage of households with an account in a financial institution



Source: World Bank

third of all micro-entrepreneurs worldwide can obtain a microfinance loan. At least 400 million poor and low-income people are not being served by microfinance, with the unmet demand estimated at around US$250 billion, and total potential customers estimated at 1.5 billion.

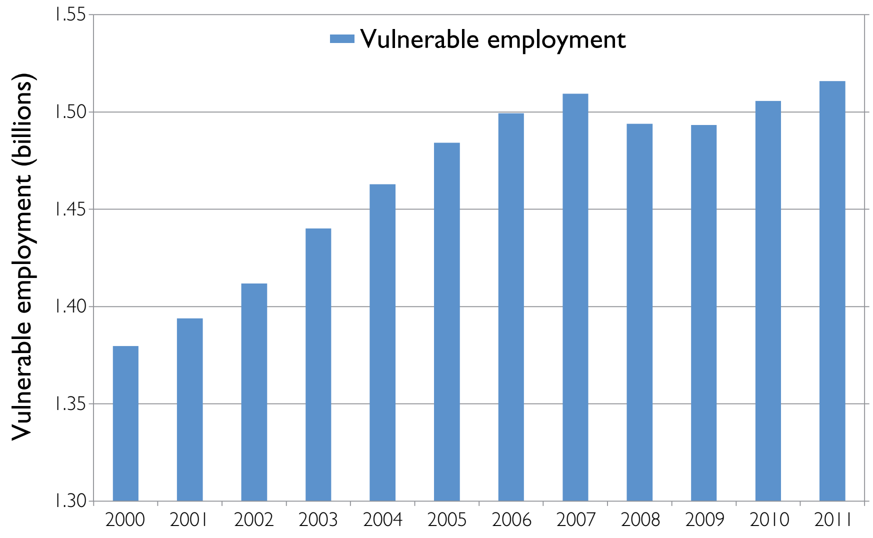
More recently, the microfinance industry has faced increasing challenges as a result of the global economic crisis. Worsening market conditions may prompt MFIs to divert from their social goals and shift their attention away from providing financing for the poor to catering to wealthier individuals and small- and medium-sized enterprises (SMEs). Increased commercial lending has also exposed several vulnerabilities, including concentrated market competition and multiple borrowing, as well as a deterioration in underwriting standards, lending discipline, systems, controls and operational effectiveness.

Microfinance institutions

Starting from the 1950s, governments and donors have provided subsidized agricultural credit to small and marginalized farmers in an effort to raise agricultural productivity and incomes. From a modest yet revolutionary beginning in South Asia and Latin America in the 1970s, different types of financial service providers for poor people have emerged. The first MFIs were non-profit organizations with a social mission to alleviate poverty by helping the poor develop vocational and business management skills, and by giving them small, uncollateralized loans for working capital. During the 1980s, micro-enterprise credit concentrated on providing loans to poor women to invest in micro-businesses, enabling them to generate income and accumulate assets. These experiments resulted in the emergence of non-government organizations (NGOs) that provided financial services to the poor. In the 1990s, many of these institutions transformed themselves into formal MFIs in order to access and on-lend client savings, thus enhancing their outreach.

Today, MFIs include savings and credit cooperatives, small non-profit organizations, community-based development institutions, NGOs, self-help groups and credit unions; commercial, insurance, brokerage and credit card companies; hedge funds, microfinance investment funds, pension funds and endowments; large commercial banks and state banks; multilateral and regional development financing institutions; rural banks, post offices, and telecommunications and wire services, including branchless banking services such as mobile phone banking. The 100 largest MFIs represent about 80 percent of total sector assets.

Global vulnerable employment trends, 2000–2011.



Source: ILO, 2011

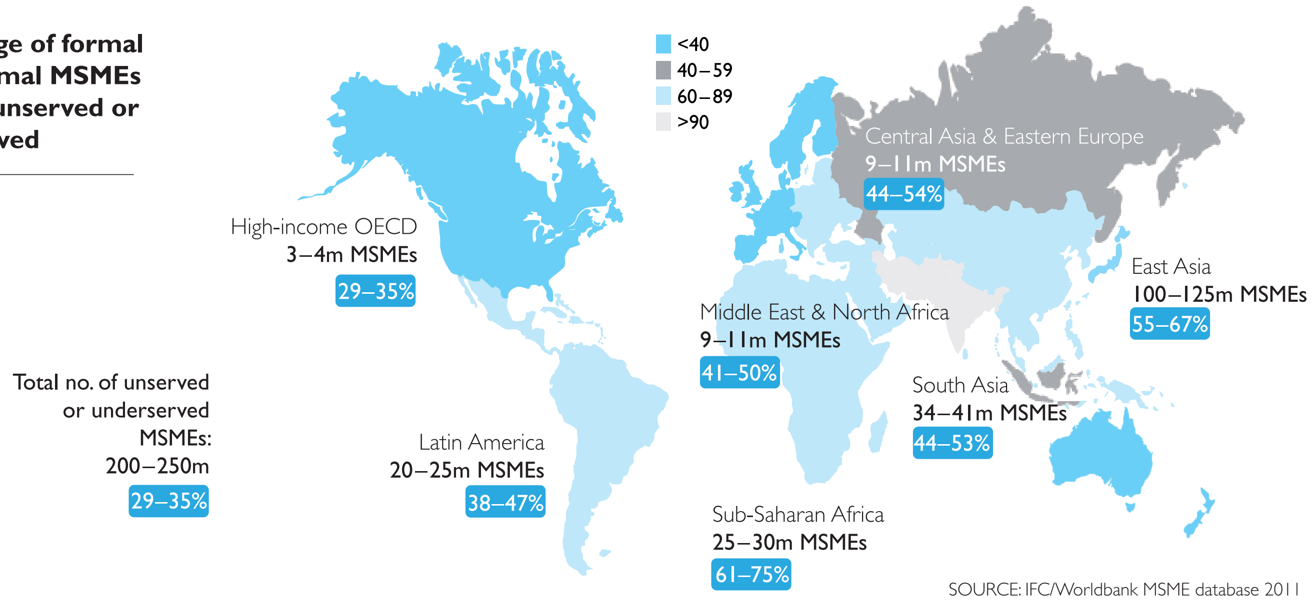
Some 3,000 MFIs report their performance to the *Micro-Finance Information Exchange (MIX).* The MIX Market is the primary source of this information, containing financial and other performance data for participating MFIs, including client outreach measures, simplified financial statements, and a number of standard financial performance indicators.

Products and services

Over the years, the industry has grown to cover a wide spectrum of affordable financial (e.g. credit, equity, savings, payments and money transfers, insurance and insurance options, remittance systems), and non-financial services (market access, training), covering a broad range of sectors, from education and healthcare to agriculture, energy and housing.

MFIs can provide very small amounts of credit to unsalaried borrowers at reasonable interest rates, taking little or no collateral. A loan as small as US$50 can be enough to set up a small business, and to save, invest and create employment. It can also help secure a family's food supply, buy medicine and pay for children's education. Micro-borrowers may access loans either through individual contracts or through a group-lending and liability model. In the absence of collateral, joint liability and peer pressure has proven a strong incentive to repay and avoid default. Group lending methods also include an implicit guarantee of ready access to future loans if present loans are repaid in full and on time. Interest rates may vary according to local rules and regulations, operating costs and administrative expenses, the type of MFI, and risk. ▶

Percentage of formal and informal MSMEs that are unserved or underserved



SOURCE: IFC/Worldbank MSME database 2011

◀ Although credit is an important part of microfinance, it is just one of the diverse financial and non-financial services poor people need to fund income-generating activities, build assets, stabilize consumption and protect themselves against risks. To meet the diverse needs of the poor, micro-credit offers a combination of services, including savings deposits and micro-insurance, which can provide a safety net and help poor families cope with sudden expenses associated with serious illness, death, natural disasters, and loss of assets. MFIs partner with governments, NGOs and specialized companies that provide expertise to deliver non-financial services, such as training in management and business skills, feasibility studies, product design, market-based business-development services, and peer support within the infrastructure of community-based networks and distribution systems. Microfinance services delivered through mobile phones are particularly convenient in rural areas, as they are cheaper and enable greater outreach. Other services in rural areas include cost-effective individual and community-based off-grid energy access solutions, micro-level insurance to mitigate against agricultural and weather-related risk, and adapted loan products to meet the specialized needs of rural borrowers.

Measuring impact

While microfinance cannot reach all economic segments of society, it has been shown to reach segments previously not serviced by traditional financial markets. Empirical evidence suggests that access to financial and related microfinance services may lead to economic and social empowerment, by helping clients to plan and expand business activities, improve living standards and foster self-sufficiency. Studies have shown that poor people with access to savings, credit, insurance and other financial services are less vulnerable and better able to manage risk, cope with everyday crises, plan for the future, and buy assets such as housing and land. Employment opportunities and increased earnings can stabilize food intake, increase investment in health and education, and improve living conditions, accelerating progress towards the MDGs. At the macro-economic level, evidence exists that more universal, integrated and inclusive financial systems can help spur sustainable growth and reduce inequality within countries and regions.

Very few MFIs systematically measure impact in relation to the poverty levels of their clients, mainly because this can be quite costly and complex. For the majority of the world's poor, income is often irregular and unpredictable. Micro-loans may not be utilized predominantly to start or finance microenterprises, Half or more may be used to smooth cash-flows to meet a wide range of basic household cash management needs, including food, medical expenses and education.

To resolve problems of development impact assessment and measurement, some MFIs are designing and implementing simple poverty score cards, mainly in the form of questionnaires attached to the microfinance application form. Each answer sets a score, which helps determine the poverty level of the clients based on income per person per day. Other initiatives include the development of financial and social performance indicators related to outreach to vulnerable groups (e.g. youth, women) and improvements in living standards, as well as randomized control trials. These and related initiatives can help provide important feedback on development effectiveness and means to improve the quality and impact of the services provided.

Policy, legal and regulatory environment

Microfinance requires an enabling environment at the national, local and community level. The extension of micro-credit becomes difficult in unfavorable legal, regulatory and institutional environments that do not guarantee property rights and the rule of law, or that create administrative and other barriers to business and finance. Legal and institutional reforms to improve the operating environment for microfinance include streamlining micro-enterprise registration, loosening regulations governing non-mortgage collateral, strengthening the judicial system, and reducing the cost and time of property and asset registration. Conscious of the need to improve access to financial services for the poor, the Group of Twenty (G-20) made financial inclusion a permanent policy priority by committing to the *Principles of Innovative Financial Inclusion* at their Toronto Summit in May 2010, as endorsed by the establishment of the *Global Partnership for Financial Inclusion (GPFI)* at their Seoul Summit, November 2010.

Alternative models

Micro-finance is not a silver bullet and just one of several strategies to help resolve the complex and multi-dimensional problem of poverty. Financial services, particularly credit, are not appropriate for all people at all times, and should be carefully evaluated against the alternatives when choosing an adequate intervention for a specific situation.

For micro-credit to be appropriate, clients must have the capacity to repay the loan under the terms by which it is provided. Otherwise, clients may not be able to benefit from credit and could become indebted. Microfinance is particularly inappropriate for the destitute – individuals or households in the poorest 10 percent of the population – who lack stable cash flows to repay loans. To accompany ultra-poor households on the way out of extreme poverty, adapted products that combine a set of basic services (consumption support, healthcare, livelihood trainings) with assets (productive asset transfers, savings plans) are required prior to participation in conventional microfinance programs. Some alternatives to micro-finance include:

Grants: small grants or education and training programs, ranging from literacy classes to community development, can be used to help overcome the social isolation, lack of productive skills and low self-confidence and vulnerability of the extreme poor, and prepare them for eventual use of micro-credit schemes.

Employment programs: food-for-work programs and public works projects can offer employment to the poor and eliminate the need to live off charity and/or subsidies.

Community development banks: community-driven, local financial models and investments in industrial cooperatives and infrastructure (e.g. roads, small-scale irrigation schemes, communications and market centers) can provide the foundations for private sector growth and employment creation and facilitate business activity for the poor.

The way forward

Microfinance constitutes an important tool for addressing poverty as part of a broader movement towards socially responsible business and investment. To tailor microfinance products and services to the needs and priorities of the client base, further progress needs to be made towards developing tools for measuring impact, including a broadening of impact assessments beyond financial services to include social impact and empowerment. Strengthening coordination and transparency among MFIs, policy makers and regulatory bodies at all levels would also contribute to enhancing synergy between institutions providing financial services and non-financial services, and maximizing the development impact and effectiveness of the services provided.

Against the background of rising levels of unemployment and vulnerable employment worldwide, microfinance can offer important opportunities for poor people to start their own businesses and create productive employment and decent work, particularly for marginalized groups such as women and youth. Ultimately, however, promoting full, productive, decent and freely chosen employment for all requires an integrated multi-disciplinary approach that can resolve the vast asymmetry that prevails between the concentration of the world's capital and skills in the North and a large and expanding labor force in the South. ■

Micro-credit offers a combination of services, including savings deposits and micro-insurance, which can provide a safety net and help poor families cope with sudden expenses.

Microfinance symposium highlights opportunities and challenges

From left: Mr Nasser Al Kahtani, Executive Director, AGFUND; HE Mr Youssef Albassam, Managing Director, Saudi Fund for Development and Vice Chairman of AGFUND; OFID Director-General, Mr Suleiman J. Al-Herbish; Professor Mohammad Yunus.

In collaboration with the Arab Gulf Program for Development (AGFUND), OFID hosted June 5-6 a symposium on "The role of donors in meeting the basic needs of poor people through microfinance." The symposium benefited from the contribution of Professor Muhammad Yunus, father of the modern microfinance movement, and acknowledged the inspiration of HRH Prince Talal Bin Abdulaziz, the President of AGFUND. Over 40 entities attended the event, a testament to the substantial achievements of microfinance in the years since Professor Yunus began his pioneering work in Bangladesh in 1976.

BY GEOFFREY SKIPPER

Microfinance and social business

According to the Micro-credit Summit Campaign Report, latest estimates suggest that a total of over 3,000 microfinance institutions (MFIs) offer loans and other financial services to about 200 million clients in over 100 countries throughout the developing world. Some of these institutions are now large and profitable banks – indeed some are listed on public stock markets – but the focus of the OFID/AGFUND symposium was the potential for microfinance to support social business.

Professor Yunus stressed the importance of creating a variety of businesses owned by the poor to meet social and financial needs and create employment, especially for the millions of young people who have the potential to make a huge contribution to the development of their countries.

The first theme to emerge from the discussions was that microfinance has much to offer over and above the provision of standard consumer and micro-enterprise loans. The poor need access to a full range of financial services, including savings accounts and insurance facilities.

Since the core business of MFIs requires outreach to millions of poor people, many in isolated areas, it is possible to use this distribution network to deliver a wider range of products. Speakers noted that some MFIs provide health, housing and educational services. Those which lend to small businesses also provide training and technical assistance so that borrowers can use their loans to best advantage.

A small number of MFIs work with the ultra-poor – people who have no regular source of income, no assets and who may suffer from health problems. Pilot schemes are underway in Haiti and India. These "graduation" programs help the ultra-poor to break free from dependence on begging or casual work. Selected households start by receiving consumption support and are encouraged to begin saving with an MFI. Participants benefit from skills training and receive subsidized assets or livestock to help them start a micro-enterprise.

Enabling environment

Assistance for the working poor has always been at the heart of the microfinance mission, and MFIs are constantly seeking ways to boost local employment, incomes and living standards. Speakers stressed that providing loans may not be sufficient. Microcredit can certainly make a contribution to poverty alleviation, but it can best be seen as an enabler rather than as a source of self-sustaining growth.

Finance for a micro-enterprise will only add value if a market exists, affordable raw materials are available and prices and revenues are sufficient to sustain the business. Farmers must have the opportunity and motivation to buy better seeds or more productive equipment before they can take advantage of microfinance. They need transport to markets which can absorb their crops. Moreover, the repayment schedules and interest rates have to be aligned with crop cycles and the profitability of farm investments.

Extending access to modern energy services is another opportunity for MFIs to help the working poor. Affordable finance is essential to extend energy access because upfront costs are substantial. What is often missing is coordination between the needs, the ability to pay, and reliable, cost-efficient technology. OFID is supporting a successful scheme operated by the Shell Foundation to support small businesses which distribute solar lanterns in Africa. MFIs can make a vital contribution to such commercial activities but collaboration with industry experts is vital to overcome technical and logistical obstacles.

Managing growth and diversification

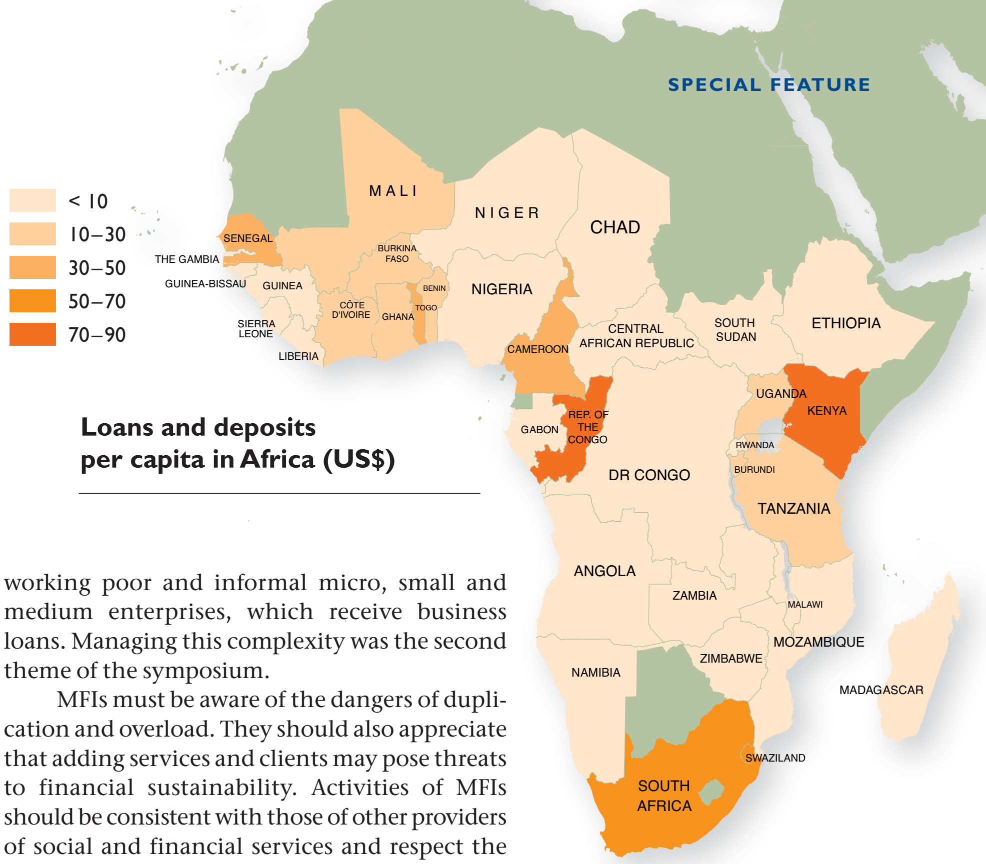
Symposium participants recognized that today's MFIs are expected to provide a much wider range of services to an expanding client base. Assistance is no longer limited to the standard loan, and the client base now encompasses the ultra-poor, the working poor and informal micro, small and medium enterprises, which receive business loans. Managing this complexity was the second theme of the symposium.

MFIs must be aware of the dangers of duplication and overload. They should also appreciate that adding services and clients may pose threats to financial sustainability. Activities of MFIs should be consistent with those of other providers of social and financial services and respect the priorities of local and national governments.

Speakers noted that many countries, particularly the poorest, lack a significant MFI presence. There is a particular opportunity to bring the advantages of the MFI movement to the financially excluded in Africa.

The first challenge is often to secure the legal framework to permit core operations, including the collection of savings deposits. Subsidized start-up capital will be needed to invest in the basic infrastructure of distribution and administration and provide the first loans. Technical assistance from DFIs and donors can support management and staff training.

In creating new institutions, MFIs were urged to work closely with governments and other partners in social policy to avoid duplication and ensure maximum effectiveness in line with each country's development plan. ▶



Loans and deposits per capita in Africa (US$)

Loans and deposits per capita in Middle East and North Africa (US$)
(Data does not include all MFIs)

SOURCE: Microfinance Information Exchange (MIX) June 2012.

◀ In some mature MFI markets a major task is to improve the management of credit risk. During the period of strong economic growth after 2004, competition between institutions led some MFIs to extend loans to clients who were struggling to service previous debts. These problems came to a head in the crisis years 2009-2010.

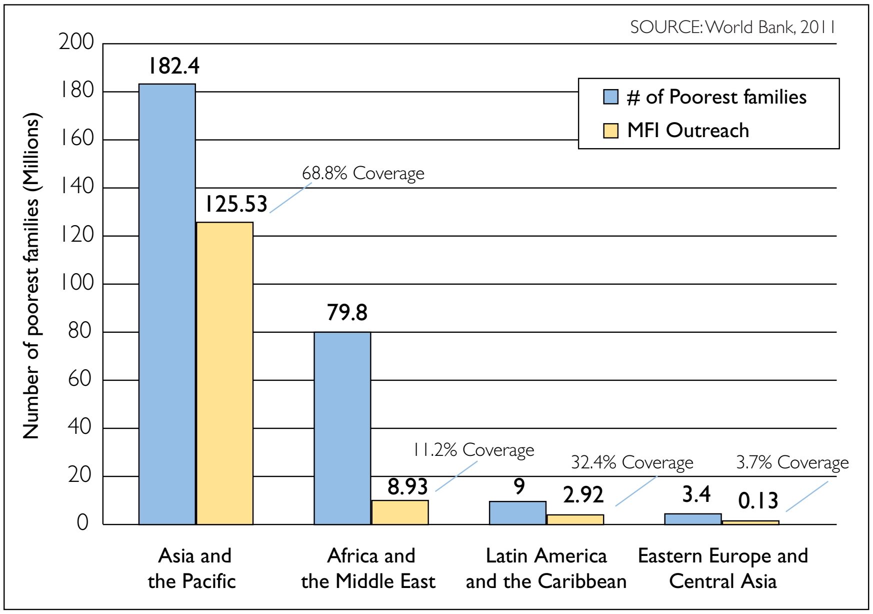
Institutions were advised to guard against over-lending and consider the exchange of credit information to reduce the risk of loan default. MFIs should take advantage of new technology (for example, telephone banking and ATMs) to reduce costs and the level of interest rates. If interest charges can be reduced, this will ease the burden on clients and improve repayment rates.

MFIs must be aware of the dangers of duplication and overload. They should also appreciate that adding services and clients may pose threats to financial sustainability.

The funding question

Expanding services, extending the client base and raising standards of management and governance are all worthy objectives for the microfinance movement – but the reality is that such improvements must be financed. The global economic background is not encouraging and both official development assistance and finance from the private sector were cut back in 2011. The final theme of the Symposium was thus the need for development finance institutions (DFIs) and other donors to step up their financial support for MFIs.

Regional breakdown of access to microfinance*



* Figure compares the regional outreach of microcredit with data on people living on US$1.25 a day found in the *World Bank's 2011 World Development Indicators* and further verified with PovcalNet.

This is particularly important for those institutions which provide grants and social services. To some extent, MFIs can subsidize social spending from profit-making activities, but donor and DFI financing is vital to preserve financial sustainability – particularly in the MENA countries whose MFIs receive very little funding from outside the region.

DFIs and donors recognize this challenge and are prepared to offer financial assistance, but participants noted the difficulty of evaluating the contribution of MFIs to the alleviation of poverty.

Development institutions face many competing claims for funding, and MFIs need to demonstrate their impact on the ground. For this reason MFIs and MFI apex organisations are developing social performance indicators and poverty scorecards which measure the performance of the MFIs in respect of outreach and improvements in living standards.

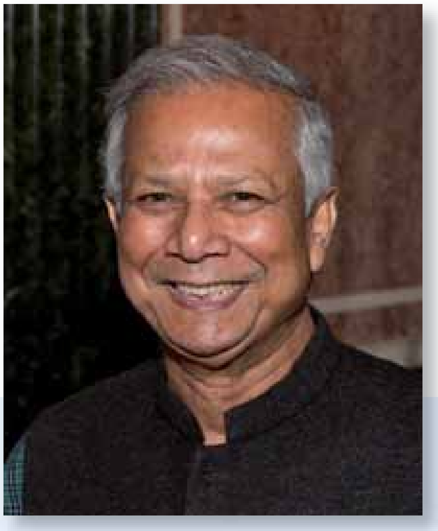
Such indicators measure the proportion of MFI loans which are extended to vulnerable groups such as women, young people and refugees. This analysis will help the MFIs and donors adjust their programs and financial support to best meet client needs.

Private sector capital can also make a contribution to MFI financing provided that DFIs and donors are prepared to guarantee the MFI loans. One speaker described a loan guarantee fund (LGF) which operates in East Africa. MFIs which lend to small energy-using businesses obtain finance from local banks, but the loans are secured by the LGF. The fund links entrepreneurs, MFIs or clusters of microenterprises to financial institutions and mitigates the risk of the credit provider over the life of the loans. Once the guarantees have expired, the funds are used to underwrite new loans.

Such innovative financing can greatly multiply the effect of the original DFI commitment. The scheme allows local banks to extend the scope of their lending to include higher risk micro-enterprises and limits the call on scarce DFI resources.

The symposium closed by reiterating that MFIs had made an exceptional contribution to development and that there was a need to extend the benefits of microfinance to a much wider range of poor countries, as well as to expand the scope of services.

Both OFID and AGFUND have contributed to the success of the global microfinance movement and will continue to participate as MFIs face these new challenges. The focus of both institutions is to improve the living standards of the poorest, and their assistance to microfinance institutions will be directed to this objective. ■



Professor Muhammad Yunus

Social business: the problem-solving tool

As founder of the Grameen Bank, **Professor Muhammad Yunus** is known as the father of microfinancing. Today, he travels the world mobilizing support for his youngest offspring: social business, the "ideal vehicle" for solving the problems of the poor. In this exclusive interview for the *Quarterly,* he speaks to **Audrey Haylins**.

For a man with a host of awards on his mantelpiece, including a Nobel Peace Prize, there is something refreshingly ordinary about Muhammad Yunus. A sprightly, white-haired septuagenarian, he greets me with a warm handshake and beaming smile. He's probably given more interviews than he cares to count – and certainly to more prestigious journalists – but it seems there's no place he'd rather be right now than sitting here answering my questions.

Collective benefit over private gain

Renowned the world over as founder of the microfinance movement, Professor Yunus is at OFID to talk about his latest venture – social business, which he describes as an innovative tool for solving the everyday problems of poor people. Social business differs from conventional business in that its chief goal is not profit but overcoming poverty. Investors get their money back but are not paid dividends. Instead, profits are ploughed back into the business to fund expansion and job creation.

I ask the Professor how this unusual concept was developed. He reveals that it is actually nothing new, but rather a principle that has been his constant guide ever since he lent US$27 to a group of poor women in his native Bangladesh in 1976. The cash was to help them pay off a money lender and start their own small enterprises.

"From the very beginning, personal gain was never my motivation," says Yunus. "In my mind, microfinancing has always been a problem-solving initiative. Every time I see a problem, my instinct is to create a business to solve it."

Yunus is convinced that the quest for profit can become so obsessive as to distract from the other potential goals of setting up a business. "If you can get rid of the idea of making money, you unleash your creativity and suddenly become very powerful at solving problems," he explains.

So certain was Yunus of the power of his new concept that, in 2009, he set up the Grameen Creative Lab (GCL), a joint venture between the Yunus Center and German partner, *circ responsibility*. Its mission is to fight poverty by accelerating the development of social business.

GCL believes that the traditional economic system does not create enough opportunities for the poor, for whom the anticipated "trickle-down" effect has failed to work. The solution, it says, is to create a new model, whereby "business is not just about private interest but about collective benefit."

For Yunus, social business fills the space between charity and money-making concerns. "Charity is a very good thing, but it isn't replicable and has a limited application. Profit-driven enterprise also has its place but is separated from problem solving." In the middle, he argues, is social business which combines the benefits of both. ▶

> *"If you can get rid of the idea of making money, you unleash your creativity and suddenly become very powerful at solving problems."*
> *Muhammad Yunus*

Challenging perceptions

This all sounds very noble, I say to Professor Yunus, who is clearly passionate about his idea. But how do you go about convincing people to change deeply ingrained perceptions and invest in an enterprise that isn't going to make them money? I am genuinely curious. After all, isn't profit the first rule of business?

> *"We want companies to bring along their creative power and their talent as well as their cash."*
>
> *Muhammad Yunus*

Yunus accepts my cynicism with a wry smile and the grudging admission: "Changing the mind-set is a challenge." To overcome it, he uses simple logic. "People give money to charity all the time and never see it again. But put that same money into a social business, and not only does it solve a problem, but it comes back and you can put it to use several times over."

This argument has won Yunus many converts, among them multinational companies such as Danone Foods, BASF and SAP. He is eager to tell me just how successful these partnerships are.

GCL, I learn, joined forces with Danone in 2006 to create the social enterprise Grameen Danone Foods specifically to tackle the malnutrition problem in Bangladesh. The joint venture produces nutrient-enriched yoghurt for sale at a price even the poorest can afford. Yunus is keen to point out that the social benefits extend along the whole value chain: milk is purchased from micro-farmers, production is organized to create the maximum number of jobs, and sales ladies distribute the product door-to-door, receiving a small commission. All told, the company employs 1,600 people. Studies show, moreover, that the yoghurt has had a positive impact on the growth and cognitive performance of children.

Size no object

While Yunus speaks with great pride about the likes of Danone, BASF and SAP, he is equally enthusiastic about much smaller schemes. "There is no size-limit on social business," he says. "It could be something as simple as creating a micro-enterprise to solve the problem of unemployment for five people. If that business is, say, distributing solar lanterns, then you're solving another problem as well. What's more, the idea is like a seed; it can grow and grow."

I ask Professor Yunus if the growing interest in corporate social responsibility (CSR) is something to be tapped into as a source of funding for

From left: *The production line at the Grameen Danone Foods Shoktidoi yoghurt factory in Bogra, Bangladesh; vendors and distributors come to the factory to pick up their daily supply; women meet with Danone representatives to learn about becoming sellers of the product.*

The seven principles of social business

Muhammad Yunus developed the seven principles of social business at the World Economic Forum in Davos, January 2009.

1. Business objective is to overcome poverty, or one or more problems (such as education, health, technology access, and environment) which threaten people and society; not profit maximization.
2. Financial and economic sustainability.
3. Investors get back their investment amount only. No dividend is given beyond investment money.
4. When investment amount is paid back, company profit stays with the company for expansion and improvement.
5. Environmentally conscious.
6. Workforce gets market wage with better working conditions.
7. … do it with joy.

social business. "CSR is more of a charitable program," he replies, waving his hand dismissively. "You set aside money from your company profits and donate it to some community initiative. You've done your bit, and that's where it ends."

Social business, on the other hand, is about encouraging corporations to do more than simply write a cheque. "We want companies to bring along their creative power and their talent as well as their cash," explains Yunus. Which is exactly what the likes of Danone, BASF and SAP have done. "They have put their names on the new social businesses and are fully invested in them. Each one wants to make sure that their venture is one of the best things that has ever happened."

Creative power

The term "creative power" peppers Yunus' speech like a mantra. It is something he believes all human beings have in limitless and equal quantities. The secret lies in recognizing it, harnessing it and transforming it. Young people, he tells me, are "the most powerful generation" in human history, because technology has allowed them to discover their creativity at a very early age. It is the youth, therefore, that he looks to for the social business ideas that will tackle age-old problems like illiteracy, malnutrition, water and energy supply, and so on. "All those problems that we have been suffering for centuries, they can all be solved," Yunus states emphatically. So convinced – and convincing – is he, it is impossible to disagree.

I am about to ask the Professor about another of his initiatives, the Global Social Business Summit, which is due to take place in Vienna this coming November, when he politely reminds me that there are other demands on his time. Hans Reitz, co-founder and managing director of GCL, has come to take Yunus back to the conference room where he is to moderate the next session. I reluctantly bring the interview to a close. It has been a privilege and a pleasure, I say, clasping his hand. The beaming smile flashes once again as we pose for a photograph.

As he leaves to share his wisdom elsewhere, I reflect that it will be a long time before I interview someone as engaging, selfless and committed as Muhammad Yunus. Little wonder his mantelpiece is so full. ■

Quick links

grameencreativelab.com
yunuscentre.org
gsbs2012.com

Ministerial Council holds 33rd Session

The Ministerial Council of OFID met June 14 in Seefeld, Tyrol, Austria, for its 33rd Annual Session. The Council reviewed performance and set policy for the institution for the coming year. Among the key outcomes was a Ministerial Declaration on Energy Poverty, which stated that OFID was making available US$1 billion to bolster its *Energy for the Poor Initiative*.

Ministerial Council holds 33rd Session

Ministerial Council Chairman and Qatari Minister of Economy and Finance, HE Yousef Hussain Kamal *(center)*, flanked by HE Jamal N. Lootah *(left)*, Chairman of the Governing Board, and OFID Director-General Mr Al-Herbish.

The Ministerial Council is OFID's highest policy-making body. It brings together finance ministers and other high-level representatives of OFID Member Countries. The Seefeld Session re-elected the State of Qatar (represented by HE Mr Yousef Hussain Kamal, Minister of Finance) to the Chair; and elected the State of Kuwait (represented by HE Dr Nayef Falah Mubarak Al-Hajraf, Acting Minister of Finance) as Vice-Chair.

Honorable ministers had words of appreciation for Member Countries and their positive response to the replenishment request issued in June 2011. The fresh resources will enable OFID to step up its contribution to development over the next decade.

In his opening statement to the Council, Mr Kamal told the assembled ministers that the resource boost would be further leveraged by cooperation with sister institutions and other regional and international development organizations. "Such strategic partnerships will combine our various strengths to produce better results on the ground," he said. OFID's Governing Board Chairman, HE Mr Jamal Nasser Lootah, also referred to the replenishment, remarking that it had helped offset the impact of the financial crisis on OFID's activities.

In his own statement, OFID Director-General, Mr Suleiman J. Al-Herbish, highlighted the institution's growing contribution to global energy poverty alleviation efforts. Since the Third OPEC Summit in November 2007 and the Jeddah Energy Meeting the following year, advocacy on behalf of the Energy for the Poor Initiative had been "a high priority," he said. With the replenishment of OFID's resources, substantial additional funding was also being made available, he told ministers.

The Council issued a *Ministerial Declaration* which stated that OFID was committing a minimum of US$1 billion to finance the Energy for the Poor Initiative, further augmenting OFID's contribution to battling energy poverty. The Declaration welcomed the "International Year of Sustainable Energy for All" and recognized that universal access to modern energy services was an objective that the international community aspired to achieve by 2030.

The ministers affirmed that efforts to eradicate energy poverty must be technology-neutral. While renewable solutions were appropriate where economics permitted, fossil fuels would continue to be an important contributor to energy supply. Poor countries could not be ▶

OFID MINISTERIAL DECLARATION ON ENERGY POVERTY

The OPEC Fund for International Development (OFID), meeting at the level of Ministerial Council in its 33rd Annual Session, held in Seefeld, Austria on 14 June 2012;

Re-affirming the need for the international community to afford low income countries better chances for achieving their sustainable development aspirations, including appropriate transfer of technology;

Recognizing that energy is essential for poverty eradication and sustainable development; and that access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy services is crucial, particularly for developing countries;

Recalling the Solemn Declaration of the Conference of Sovereigns and Heads of State of OPEC Member Countries (the Riyadh Declaration)[1], which emphasizes that eradicating poverty should be the first and overriding global priority guiding local, regional and international efforts;

Acting upon the commitment, reaffirmed by the Riyadh Declaration, that OFID continue to align its programmes with the objective of achieving sustainable development and the eradication of energy poverty in the developing countries;

Pursuant to the "Energy for the Poor Initiative" launched in Jeddah, in June 2008, during the meeting of energy producers and consumers, and the call therein on OFID to consider a program of US$ 1 billion for alleviating energy poverty;

Taking note of the joint statement[2] issued at the conclusion of the G8 Energy Ministers Meeting in Rome, in May 2009, which supported the international initiatives to combat energy poverty;

Acknowledging the momentum maintained by leaders at the September 2009 G20 Summit in Pittsburgh, USA, who pledged their support to promoting energy access and committing voluntarily to the "Energy for the Poor Initiative" ;

Observing that energy poverty was at center stage when world energy ministers, from producing and consuming countries, who met in Cancun, Mexico, for the 12th International Energy Forum (IEF) in March 2010, stated that reducing energy poverty should be added as the 9th Millennium Development Goal;

Welcoming the designation of 2012 by the UN General Assembly as the "International Year of Sustainable Energy for All" and concurring with the universal access to modern energy services component of the UN Secretary-General's "Sustainable Energy For All" initiative;

On the occasion of the forthcoming United Nations Conference on Sustainable Development (Rio+20);

1 17 - 18 November 2007

2 Joint statement issued by the G8 Energy Ministers, the European Commissioner and the Energy Ministers of Algeria, Australia, Brazil, China, Egypt, India, Indonesia, Korea, Libya, Mexico, Nigeria, Rwanda, Saudi Arabia, South Africa, and Turkey

Have decided the following:

1. Through its continued commitment to development assistance and acknowledging the right of countries to unhindered development, OFID is financing a wide spectrum of operations in education, health, agriculture, food security, rural development, transport, water supply, industry, and communications. Yet, access to modern energy services is vital to support all aspects of development.
2. Universal access to modern energy services is an objective that the international community aspires to achieve by 2030. OFID welcomes the "Sustainable Energy For All" Initiative, as it provides a means to achieve the Riyadh Declaration objective of eradicating energy poverty. We call upon the Rio+20 Summit to adopt universal access to modern energy services by 2030 as a goal for sustainable development.
3. Strong political will and long-term government commitment, including pro-poor energy policies and national plans that include explicit targets, are prerequisites to energy poverty eradication. However, while OFID always responds to its partner countries priorities and strategies, we believe that the universal eradication of energy poverty requires sustained international effort through concerted, quick and decisive action by the whole international community.
4. Efforts to eradicate energy poverty must be technology neutral. While renewable solutions are appropriate where economics permit, fossil fuels continue to be an important contributor to energy supply. Poor countries cannot be deprived of energy for development during the transition to a more diversified energy mix.
5. The investment required to ensure universal access to modern energy services is very substantial, and all available types and sources of funding will need to be tapped. However, the availability of capital is a necessary but not sufficient condition to deliver access to modern energy services. An enabling environment and an appropriate investment climate are crucial to delivering adequate financing.
6. Development Finance Institutions (DFIs) need to further harmonize their approach to combat energy poverty, share analysis and knowledge, avoid unnecessary overlaps in line with international declarations including the Paris Declaration, the Accra Agenda for Action and the Busan Development Agenda.
7. OFID notes with satisfaction that the energy sector covers nearly 20 percent of its total, cumulative commitments benefiting the public sector. Since the Riyadh Declaration, our Institution, responding to the priorities of its Partner Countries, has increased the share of energy projects in total operations, and in 2011 this share reached 25 percent as a wide variety of operations were approved.
8. OFID commits a minimum of US$1 billion to finance OFID's "Energy for the Poor Initiative" to further augment OFID's ability to work against energy poverty. OFID stands ready to scale up its commitment if demand warrants.
9. OFID commits to work with bilateral, regional and multilateral development institutions in our Member Countries, as well as with other sister organizations, to create synergies and to develop joint resources. We call upon UN agencies and other regional and international institutions to join efforts with OFID.

deprived of energy for development during the transition to a more diversified energy mix, the ministers suggested. Strong political will and long-term governmental commitment would be prerequisites to energy poverty eradication. The investment thus needed to ensure universal access was substantial, and all available types and sources of funding would need to be mobilized.

The Ministerial Declaration was formally presented to the global public during a meeting of the UN Secretary-General's High Level Group on Sustainable Energy for All. The announcement was made by OFID's Director-General, and the meeting was part of scheduled activities of the UN Conference on Sustainable Development (Rio+20). Elaborating on the content of the Ministerial Declaration, Mr. Al-Herbish added that OFID stood ready to scale up the US$1 billon commitment of the Declaration if warranted by demand. The ministers had called upon the Summit to adopt universal access to modern energy services by 2030 as a goal for sustainable development.

The Seefeld Council Session also considered matters including OFID's financial statements for fiscal year 2011, the Annual Report for the same year, which the Council approved, and a Report on OFID's Resources 4th Replenishment. Also at the meeting, the OFID Annual Award for Development 2012 was presented to HE Mr. Issa Ahmed Qaraqe, Palestinian Minister of Detainees and Ex-Detainees Affairs, who accepted the Award on behalf of the Ministry and its Ex-Detainees Rehabilitation Program. The proceeds of the Award are expected to help rehabilitate former detainees and support the families of prisoners, particularly women and children with special needs (see separate story page 24).

At the kind invitation of Qatar, the next Session of the Ministerial Council will be in Doha, Qatar, June 13, 2013.

PHOTO: JOHANNES HERBERSTEIN/BARRAK AL-QUALLAF

Ministerial Council Chairman HE Yousef Hussain Kamal, Minister of Economy and Finance, Qatar.

HE Dr Nayef Falah Mubarak Al-Hajraf, Acting Minister of Finance, Kuwait.

33rd Session of the Ministerial Council photo gallery

HE Danladi Kifasi, Governor of Nigeria to OFID.

HE I Gusti Agung Wesaka Puja, Ambassador of Indonesia.

HE Dr Rafe Al-Eissawi, Minister of Finance of Iraq.

photo gallery

33rd Session of the Ministerial Council

HE Karim Djoudi, Minister of Finance of Algeria.

Mr Eduard Sanchez, ad-hoc Governor of Venezuela to OFID.

HE Dr Ibrahim Al-Assaf, Minister of Finance of Saudi Arabia.

HE Dr Seyed Shamseddin Hosseini,
Minister of Economic Affairs and Finance, IR Iran.

Mr El Boueshi M. Ellafi, Governor of Libya to OFID.

HE Obaid H. Al-Tayer, Minister of State for Finance, UAE.

HE Mr Issa Ahmed Abelhamid Qaraqe *(left)* receives the Award from Ministerial Council Chairman, HE Yousef Hussain Kamal, while Director-General Mr Al-Herbish looks on.

Rehabilitation program for former Palestinian detainees wins OFID Award for Development 2012

This year's OFID Annual Award for Development has gone to the Palestinian Authority Ministry of Detainees and Ex-detainees Affairs and its Ex-detainees Rehabilitation Program (EDRP) for their essential contribution to Palestinian society. The award was presented to the Palestinian Minister of Detainees and Ex-detainees Affairs, HE Mr Issa Ahmed Abelhamid Qaraqe, on the sidelines of the 33rd Annual Session of the Ministerial Council of OFID.

BY SILVIA MATEYKA

OFID Director-General, Mr. Suleiman J. Al-Herbish, said that the award had been given in recognition of the role played by the EDRP in caring for former political prisoners and their families. He stated that the work of EDRP was in accord with OFID's objective of ensuring the sustainability of dignified life for Palestinians. He praised the program for building a solid framework for rehabilitating social groups and working towards "a long-term solution that has a ripple effect through the entire community."

Accepting the award, HE Mr Qaraqe thanked OFID for its recognition and said that the money would be used to further assist various services provided by EDRP through 15 local centers in the West Bank and in Gaza.

A vital social service

Since Israel's occupation of the West Bank and Gaza Strip in 1967, thousands of Palestinians have been arrested and detained as political prisoners. According to the Palestinian Central Bureau of Statistics, approximately 4,700 Palestinians were still under detention as of April 2012.

Once released, many of these individuals find themselves without a job, education or training and, moreover, suffering from physical and mental health problems. The EDRP was created by the Palestinian National Authority in 1995 to help ex-detainees return to a normal life.

Being the only organization that works in the rehabilitation and reintegration of ex-detainees, EDRP plays a significant role within the overall progress of Palestinian civil society. To date, the program has provided over 26,000 rehabilitative services to some 18,000 ex-detainees.

The program focuses on the economic and social rehabilitation of former detainees and their reintegration into Palestinian society by enhancing their employment skills and facilitating their access to income-generating work opportunities.

The services provided by the program include education support, vocational training, psychological counselling, limited-in-time wage subsidies, limited-in-time family support, self-employment loans, project loans and limited-in-time health insurance. A large part of these efforts is directed at the families of Palestinians still in detention, especially women and children with special needs.

OFID in Palestine

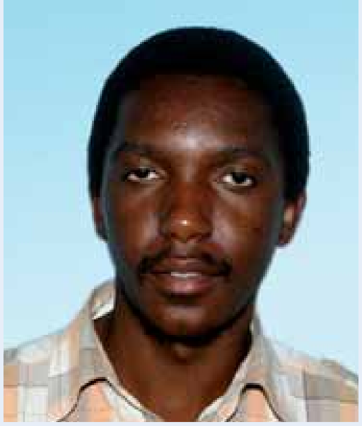
Over the last 36 years, OFID has provided more than US$135 million in assistance for 451 operations in the West Bank and Gaza Strip. Assistance has been directed towards projects which aim at providing healthcare, education, rural development, basic infrastructure and water supply and sanitation, as well as support to micro-entrepreneurs. All operations have been implemented through partnerships with international and regional development organizations and more than 83 Palestinian NGOs in the West Bank and 145 NGOs operating in the Gaza Strip.

The OFID Annual Award for Development was instituted in 2006 and carries a prize of US$100,000. Among the winners are HUMANA People-to-People, a Zimbabwe-based NGO; Austrian NGO, *SOS Kinderdorf*; the Grameen Bank of Bangladesh; *Bartolina Sisa* of Bolivia; and the Yéle Haiti Foundation. Last year's award went to Dr. Al-Hajri, UAE surgeon and philanthropist.

OFID awards 2012 Scholarships

Scholars drawn from three developing regions

Michelle Palacios



Keith Mudadi

Ana Potoroca

OFID's Scholarship Program supports human capacity building in the developing world by seeking out outstanding young students, whose goal is to make a genuine contribution to the future of their countries.

BY REEM ALJARBOU

Currently in its sixth year, the OFID Scholarship Program has sponsored deserving young people through development-related studies at a number of leading academic institutions. The Program supports highly motivated and academically driven individuals to overcome one of the greatest obstacles to their personal development – the cost of advanced academic education.

This year the large number and quality of applications underscored the need for this kind of support, and OFID duly increased the number of scholarships awarded from two to three.

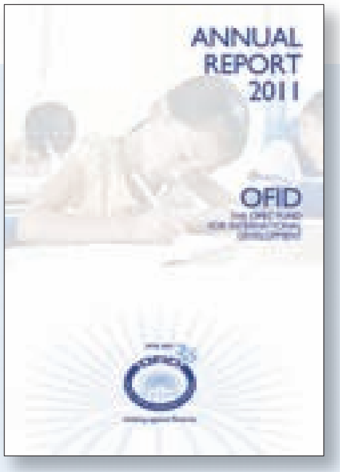
The OFID 2012 Scholar from the Latin America and Caribbean region is **Michelle Palacios** from Guatemala, who has secured a place at the University *Complutense de Madrid* in Spain to pursue a Master's in Environmental Development. Michelle's interest in this field stems from her work at Techno Serve, a Guatemalan institution dedicated to the sustainable development of rural families, where she has worked since 2008. Michelle believes strongly that the involvement of communities in the design, planning and implementation of agro-ecological projects is the best guarantee of the success and sustainability of funded initiatives. When informed about her successful application, she stated: "I am honored to be selected and really appreciate the opportunity given to me to represent my country and to enrich myself with knowledge."

OFID's African Scholar for 2012 is **Keith Mudadi** from Zimbabwe, who has accepted a place at London University's School of Oriental and African Studies to pursue a Master's in Development. Keith has worked in mining promotion and development and hopes to use his degree to harness the country's resources for economic development and growth. "This program will equip me with the necessary skills to make a meaningful contribution to policy formulation and implementation in this field," he said.

Representing Emerging Europe, the third OFID 2012 Scholar is **Ana Potoroca** from Moldova, who will follow a Master's in Development Economics at the University of Sussex, England. Her interest in development began with an internship at the United Nations Development Program in her home country, which encouraged her to pursue this field. Ana hopes to become a practitioner within a development organization, saying "I am fascinated by these organizations' efforts and commitments to change and development, and I want to be part of this process."

All OFID Scholars receive a full scholarship for a 12-month period of study. ■

Annual Report 2011 highlights commitments across focus areas and financial mechanisms



In 2011, OFID approved close to US$760 million in fresh financing for development to 60 partner countries. The resources were provided primarily as concessional loans and trade financing, with significant amounts also going towards the private sector and grant-financed operations. As of December 31, 2011, OFID's cumulative development assistance stood at US$13.8 billion.

These and other figures are published in OFID's 2011 Annual Report, which was released on June 14 following its adoption by the Ministerial Council, the institution's highest governing body. Published in English, Arabic, French and Spanish, the Report details OFID's performance during 2011, highlighting its activities by sector, geographical region and financial mechanism.

In his Foreword to the Report, Director-General, Suleiman J. Al-Herbish highlights the institution's contribution to global efforts to achieve universal energy access by 2030, noting that "adequate access to reliable and affordable energy services is a prerequisite for enhancing productive capacities and sustainable development in the South."

He also reiterates his appreciation of the US$1 billion resource replenishment approved in June 2011 by the Ministerial Council. The replenishment, he said, symbolized the trust and confidence of Member Countries in OFID and underlined their commitment to strengthening the global partnership for development. "Buoyed by the fresh funds in its coffers, OFID will be able to scale up its activities in those areas of greatest need," he added.

2011 commitments

In the course of 2011, the total amount committed in development financing was US$760 million. Assistance to Africa represented the largest share, accounting for 49 percent of the total. The energy sector attracted the lion's share (25 percent) of approvals, supporting 22 projects in 24 countries. In terms of distribution by financial mechanism, the Public Sector continued to be the main channel of support, with approvals amounting to US$403.9 million for projects in 29 countries.

Focus areas

In line with OFID's strategic priorities and those of its partner countries, operations in 2011 were distributed across a number of key sectors as follows:

Energy attracted US$189.9 million (25 percent), supporting 22 operations in 24 countries. Agriculture secured US$172.6 million (23 percent), Transportation US$171.4 million (23 percent) and Financial (15 percent). The remaining US$109.9 million (14 percent) was divided primarily among the Water Supply and Sanitation, Health and Education sectors.

Regional operations

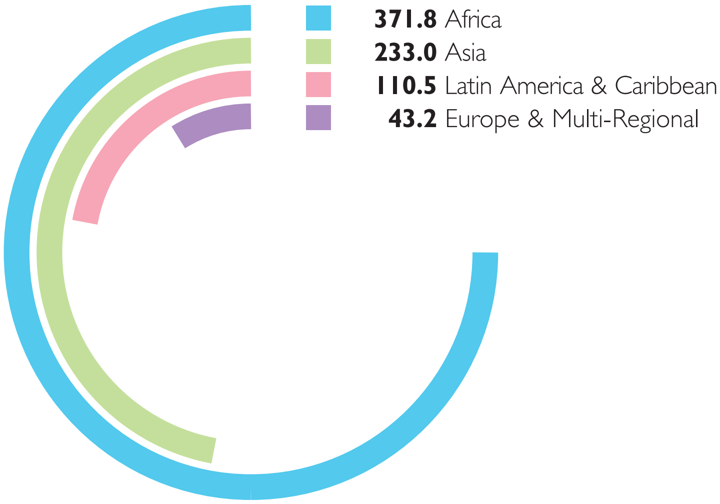
In keeping with OFID's mandate to accord priority to the lower-income countries, US$371.8 million (49 percent) of 2011 commitments went to the Africa region, supporting 90 projects in 35 countries. Asia accounted for US$233 million (31 percent), distributed among 17 countries for 23 operations, while Latin America and the Caribbean secured US$110 million (14 percent) for nine projects in six countries. Two countries in Emerging Europe shared US$34 million, with the remaining US$9.2 million going to multi-regional initiatives.

Financial mechanisms

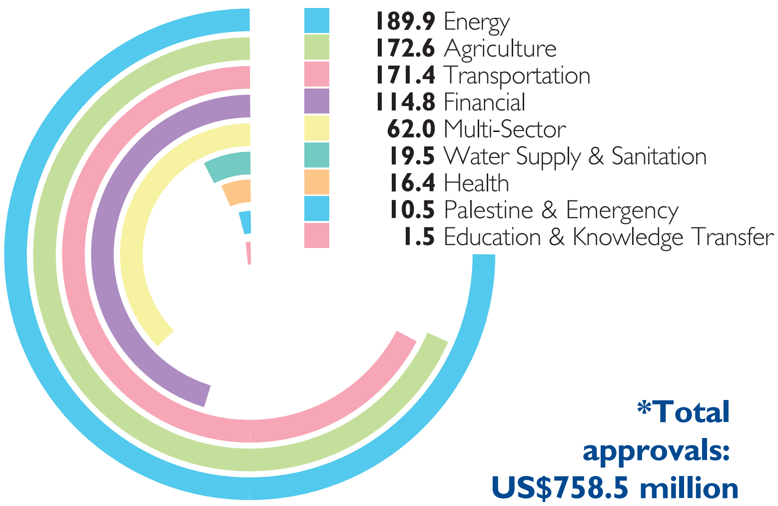
As the central pillar of OFID's development activities, Public Sector operations represented the bulk (53 percent) of approvals in 2011. A substantial amount was also channelled through the Private Sector (US$211.8 million) and Trade Finance (US$117 million) windows. Private Sector operations included strong support to the micro- small- and medium-size enterprise sector, while Trade Financing went chiefly to facilitate the trade of oil and food products. A further US$906 million was approved under the Trade Finance Facility in risk-sharing guarantees to help fill the funding gap caused by the global financial crisis. In terms of Grant Financing, 2011 saw some US$25.8 million committed in much-needed resources for a host of important initiatives, notably operations in Palestine and health-related schemes.

The 2011 Annual Report is available in Arabic, English, French and Spanish and as a CD-ROM in all four languages, as well as in PDF format on the OFID website at **www.ofid.org**.

Approvals in 2011 by region*
(in millions of US$)



Approvals in 2011 by sector*
(in millions of US$)



***Total approvals: US$758.5 million**

President Fischer *(left)*, accompanied by Mr Al-Herbish, received an enthusiastic welcome from OFID staff. PHOTO: DRAGAN TATIC

OFID welcomes Austrian President Heinz Fischer

Fischer speaks warmly of the close ties between OFID and its host country

BY SILVIA MATEYKA

At the invitation of Director-General, Suleiman J. Al-Herbish, The President of the Federal Republic of Austria, Dr. Heinz Fischer, paid a courtesy visit to OFID on April 17.

Dr. Fischer was welcomed by Mr. Al-Herbish, OFID management and staff and a choir of more than 60 children aged between seven and ten from *Superar*, a Viennese community project sponsored by OFID.

Having eagerly practiced their songs for weeks, the children were excited to perform in front of their president, who was clearly delighted with the surprise performance. The choir kicked off its presentation with a song in Arabic, titled "Nights of merriment in Vienna" and dedicated to the beauty of the Austrian capital. Without a nerve in sight, the children concluded their performance with the European national anthem "Ode to Joy," to loud applause from Dr. Fischer and other onlookers.

Following this joyful greeting, the President was escorted to the main conference room, where he was given some insight into the history of OFID and its special relations with Austria, the worldwide work of the organization, and more specifically the Energy for the Poor Initiative.

Addressing the assembled staff, Dr. Fischer expressed how impressed he was with OFID's noble mission and conveyed Austria's pride in hosting the institution for the past 36 years. "Since OFID settled here in 1976, we have enjoyed a close and fruitful relationship. We are especially grateful for OFID's contribution to the wellbeing of Austrian society through its support to various charitable projects. OFID means a lot to Austria

OFID in Austria

OFID maintains a special relationship with Austria and is supporting a number of local social initiatives, such as SOS Kinderdorf and the Superar children's choir, as well as several Austrian NGOs. Since 2000, OFID has provided over US$4 million to sponsor the work of organizations such as Hilfswerk Austria, Care Austria and Doctors for Disabled, among others. Such activities have supplemented OFID's core business, which has seen the institution channel over US$14 billion in development aid to 132 partner countries worldwide since its establishment in 1976.

Over the years, OFID has developed strong links with the Austrian Government, from former Presidents Rudolf Kirchschläger and Thomas Klestil to a large number of other senior politicians. Collaboration with the Austrian authorities helps OFID to identify suitable projects in its host country, as well as joint initiatives with Austrian organizations that will benefit the neediest in other parts of the world.

Mr Al-Herbish presented Dr Fischer with an engraved silver plate in acknowledgement of the close ties between OFID and its host nation Austria.

and its activities are of great significance," he concluded.

In response, Mr. Al-Herbish expressed OFID's gratitude for the generous hospitality extended to it over so many years by the Republic of Austria. "We feel privileged to live and work in this wonderful city, which serves as an ideal base for our global development activities," he said.

Finally, the President mingled with staff while enjoying coffee and cake in the recreation of a traditional Viennese coffee house. This was a unique opportunity to meet with and speak to Dr. Fischer, who shook hands and had photos taken with the staff, showing interest in each person's origin and experience of living in Vienna.

It was a memorable event that will not be easily forgotten, least of all by the children of Superar.

PHOTO: DRAGAN TATIC

President Fischer with the Superar children's choir.

APRIL 6

Grants approved

Aga Khan Foundation. US$100,000. To support a capacity-building program aimed at improving the quality of education in Tajikistan's Gorno Badakhshan Autonomous Oblas region, one of the country's poorest and most isolated areas. Over 3,300 teachers and 7,200 students are expected to benefit from the scheme.

HOPE '87. US$100,000. To help fund a rehabilitation and social integration program for war-disabled children and youth in Sarajevo, Bosnia and Herzegovina. Activities will include the provision of both physical and emotional support to around 1,000 individuals, as well as professional training for medical personnel.

Help Afghan School Children Organization. US$80,000. To support a project that will strengthen and develop new learning centers by covering costs such as teacher and trainer fees, school supplies and building repair and maintenance. Direct beneficiaries will be more than 15,000 children from educationally-deprived areas in Afghanistan, as well as a number of Afghan women who will be able to work as teachers.

APRIL 11

138th Session of the Governing Board approves over US$126 million in new loans and grants

Public sector loans approved

Chad. US$12 million. Massakory-Ngouri-Bol Road. To construct a 99 km-long paved stretch to enhance trade opportunities and boost access to social services and marketplaces for some 800,000 people living in 40 villages.

Congo, Republic of. US$5 million. Blanche Gomes Hospital-Phase II. To expand this maternal/child care hospital in the capital Brazzaville through the construction and equipping of a new 100-bed facility, thus doubling in-patient capacity.

Cuba. US$16 million. Palma Soriano Water Supply & Sanitation System Rehabilitation. To upgrade infrastructure to supply potable water and safe sanitation services to over 135,000 people, thereby improving health indicators and reducing pollution of the watershed.

Lesotho. US$3 million. Metolong Water Supply. To build dams, pumping stations and related infrastructure to deliver reliable water supplies to some 300,000 people in the capital Maseru and three outlying towns.

Malawi. US$10 million. Rural Livelihood and Economic Enhancement Program. To strengthen and improve farmers' linkages to value chains and establish more efficient production, transport, storage, processing and marketing systems.

Senegal. US$6 million. Dalal Jamm Hospital. To construct and equip a 300-bed referral hospital that will serve over 1.4 million inhabitants living in Greater Dakar.

Sierra Leone. US$10 million. Matotoka-Yiye Road. To rehabilitate a 70 km road that traverses key agricultural areas, thereby improving the transport of produce and inputs, as well as links to social services for some 960,000 people.

Sri Lanka. US$40 million. National Road Improvement. To upgrade 202 km of key national highways and rehabilitate the Karadana Bridge, thus boosting socio-economic development and enhancing access to markets, social amenities and employment opportunities.

Yemen. US$20 million. Al Mocha 60 MW Wind park. To install all equipment and materials needed to supply wind-powered energy to around 75,000 people in under-served rural communities.

Grants approved

Assistance to Civil Society Organizations in Palestine – Phase V. US$2.2 million. To help finance a program of assistance to 24 Palestinian NGOs that are carrying out activities in the fields of agriculture, community development, education and health.

Foundation Lindau. €500,000. For OFID to become a principal patron of the Foundation, which will establish an OFID Fellowship Program to enable young scientists from OFID Member States and least-developed countries to attend the Lindau meetings.

Institute for University Cooperation Onlus. US$600,000. To support a project that will develop artisanal fishery and aquaculture resources along the southern coast of Peru, benefitting over 21,500 small fishermen.

International AIDS Society. US$250,000. To help finance the attendance of participants from least-developed countries at the 19th International AIDS Conference that will hold July 22-27 in Washington, DC.

Multi-dimensional Resource Center, Nepal. US$350,000. To introduce improved cultivation methods to some 12,000 people in rural communities in Nepal.

Radiation and Isotopes Center, Sudan US$600,000. To upgrade Khartoum's Radiation and Isotopes Center, the largest radiotherapy facility in Sudan.

APRIL 17

President Fischer of Austria visits OFID

See story page 28.

APRIL 18

OFID hosts MDTC

OFID hosted around 40 participants of the 12th Multi-Disciplinary Training Course (MDTC) of the OPEC Secretariat. The purpose of the visit was to introduce the group to OFID and provide an insight into the institution's objectives and operations. The MDTC is an annual program run by the OPEC Secretariat for oil industry professionals from Member Countries.

APRIL 21

Public sector loan agreements signed

Burundi. US$8 million. Bujumbura-Nyamitanga Road Project. To help promote socio-economic development in northwest Burundi through the construction of a road that will facilitate the movement of agricultural goods.

Nicaragua. US$16 million. National Program for Sustainable and Renewable Energy. To help boost the availability and quality of energy supplies and connect unserved populations to the electricity grid, thus increasing coverage from 65 percent to over 85 percent, including 117,000 new users in over 3,600 rural communities.

Panama. US$20 million. Panama City and Bay Sanitation Project. To construct new sewerage facilities in low-income settlements, benefiting approximately 1.2 million people living in Panama City's Metropolitan Area.

Agreement signed with Asian Development Bank

The Asian Development Bank and OFID signed a framework co-financing agreement to fund joint projects aimed at tackling public sector needs in Asia and the Pacific. Under the agreement, the two institutions will invest in existing and new projects expected to help promote development in the agriculture, education, energy, health, water supply and sanitation and transportation sectors.

MAY 8

Emergency assistance approved

Djibouti. US$250,000. To assist internally displaced individuals affected by prolonged drought by helping to secure safe drinking water sources. The grant was channeled through the Arab Red Crescent and Red Cross Organization.

MAY 9

OFID welcomes delegates of Saudi Austrian Forum

See story page 54.

JUNE 5-6

OFID and AGFUND host microfinance symposium

See story page 10.

JUNE 13

OFID Ministerial Council holds 33rd session in Seefeld, Austria

See story page 16.

JUNE 14-15

139th Session of the Governing Board approves some US$60 million in fresh financing for development

Public sector loans approved

DR Congo. US$5 million. Development of Rice Cultivation in Masina. To help reduce poverty and boost food security through the expansion of an irrigation network and construction of agricultural infrastructure. Around 10 million inhabitants residing near the capital Kinshasa will benefit from the project.

The Gambia. US$12 million. Kotu Power Station. To provide the population, particularly unconnected communities, with an affordable and consistent supply of electrical power, benefiting at least 500,000 people.

Republic of Guinea. US$7 million. Five Towns Water Supply. To help alleviate poverty and improve living conditions for some 63,000 people through the construction of water supply infrastructure and installation of household connections.

Mauritania. US$11.93 million. Aftout Al Chargui Solar Electrification Development. To supply around 100,000 inhabitants living in extremely impoverished areas with a safe and affordable supply of energy.

Uganda. US$15 million. Masaka-Bukakara Road. To upgrade a 40.6 km-long stretch that is one of the primary means of mainland travel in the Kalangala District. On completion, the project will enhance socio-economic development from the facilitated access to marketplaces and social infrastructure.

Zambia. US$10 million. To provide higher education opportunities in three provinces, populated by some 850,000 people, where no universities exist. The colleges will be located in manufacturing and industrial centers, thus helping ensure the employability of the graduates.

Grants approved

Assistance to Civil Society Organizations in Palestine – Phase VI. US$900,000. To co-finance Phase VI of a project that will provide assistance to 11 NGOs operating in Palestine.

Global Village Energy Partnership. US$488,964. To provide hydropower to communities in Nyundo, Rwanda.

International Center for Agricultural Research in the Dry Areas. US$240,000. To support a food security program to help around 10,000 people living in rural communities in Nepal and Bangladesh.

Joint United Nations Program on HIV/AIDS. US$1.5 million. To scale-up HIV prevention, treatment, care and support program in 19 counties in the Latin America and the Middle East and North Africa Region.

Practical Action. US$500,000. To enhance energy access in underserved villages in Malawi.

Shell Foundation. US$900,000. To provide solar lighting and safe cooking stoves for households in Ethiopia, Honduras, Kenya, Malawi, Tanzania, Uganda and Zambia.

Welfare Association. US$300,000. To support a youth employment services program in the West Bank and Gaza Strip.

JUNE 26

Public sector loan agreement signed

Sierra Leone. US$10 million. Matotoka-Yiye Road. To rehabilitate a 70 km road that traverses key agricultural areas, thereby improving the transport of produce and inputs, as well as links to social services for some one million people.

Meetings attended by OFID

APRIL 16-17
MARRAKECH, MOROCCO
41st Annual Meeting of Arab Financial Institutions

APRIL 20-22
WASHINGTON DC, USA
Spring Meetings of the World Bank and the International Monetary Fund

APRIL 23
DOHA, QATAR
United Nations Conference on Trade and Development special event entitled *Natural gas as an engine of growth*

APRIL 23-24
CAIRO, EGYPT
Arab Forum on Renewable Energy and Energy Efficiency

APRIL 24
LONDON, UNITED KINGDOM
4th Meeting of the United Nations Secretary General's High-Level Group of the Sustainable Energy for All Initiative

MAY 2-5
MANILA, PHILIPPINES
45th Annual Meeting of the Board of Governors of the Asian Development Bank

MAY 7-9
VIENNA, AUSTRIA
Saudi Austrian Forum *Bridges of Dialogue*

MAY 10-11
VIENNA, AUSTRIA
Coordination Meeting of Development Finance Institutions

MAY 12
OXFORD, UNITED KINGDOM
Meeting of the Oxford Energy Policy Club

MAY 16-18
VIENNA, AUSTRIA
2nd Annual Meeting of the Center for Global Dialogue and Cooperation

MAY 26
BEIRUT, LEBANON
Meeting of the Arab Energy Club

JUNE 5-6
VIENNA, AUSTRIA
OFID/AGFUND Microfinance Workshop

JUNE 18
RIO, BRAZIL
Principals meeting of UN Sustainable Energy for All Initiative

JUNE 20-22
RIO, BRAZIL
United Nations Conference on Sustainable Development (Rio+20)

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Mr Jamal Nasser Lootah *(center)* Governing Board Chairman; Mr Suleiman J. Al-Herbish, OFID Director-General *(second from right);* Mr Saeid Niazi *(right)*, Assistant Director-General, Financial Operations; Mr Fuad Albassam *(second from left)*, Acting Assistant Director-General, Public Sector Operations and Acting Head Private Sector; and Mr Said Aissi, Advisor to the Director-General.

139th Session of the Governing Board

At its 139th session in Seefeld, Austria, on June 14-15, the Governing Board committed close to US$66 million in new financing to help further the social and economic development efforts of 34 partner countries. Loans valued at a total of US$61 million will co-finance projects in the agriculture, education, energy, transportation and water supply sectors, while the remainder was approved in grant assistance for a broad range of important grassroots initiatives.

Mr. Mohamed Abdulbaki Mohamed, Alternate Governor of the UAE to OFID.

HE Dr Behrouz Alishiri, Governor of IR Iran to OFID.

Algerian Governor to OFID, Mr. Omar Bougara.

Mr Danladi Kifasi *(left)*, Governor of Nigeria to OFID, and Mr Haruna Mohammed, Alternate Governor.

LOAN & GRANT SIGNATURE

photo gallery

April 18

Ms Irina Bokova, Director-General of UNESCO, signed a US$1.2 million grant agreement for a project that will support 14 African countries in the development and implementation of comprehensive education sector responses to HIV/AIDS.

April 18

Mr Bertrand Audoin, Executive Director of the International Aids Society, accepted a grant of US$250,000 to support the attendance of participants from low-income countries at the July 2012 19th International AIDS Conference.

June 1

Mr Lal Shanker Ghimire, Joint Secretary, Foreign Aid Coordination Division, Ministry of Finance of Nepal, initials the US$20 million agreement for a rural connectivity and community development project.

April 18

Mr. Nikolaus Turner, Executive Director of the Lindau Foundation, with Mr Al-Herbish. The Foundation received a €500,000 grant to establish an OFID Fellowship Program that will enable young scientists from OFID Member States and least developed countries to attend the Lindau meetings.

June 26

HE Mr Jongopie Stevens, Ambassador of Sierra Leone to Germany, and Mr Al-Herbish at the signature ceremony for a US$10 million loan that will help finance a priority road rehabilitation project.

The full list of loan and grant signatures can be found on pages 30-31.

VISITOR highlights

April 18

Around 40 young oil professionals from Member Countries visited OFID for a briefing on the institution's activities as part of the OPEC Secretariat's Multi-Disciplinary Training Course.

June 18

A group of high-ranking officials from the Colombian National Police, Air Force and Navy were welcomed to OFID to learn about the institution and its cooperation with Colombia.

May 8

Dr Hanan Ashrawi, Chairperson of the Executive Committee of the Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH), met with Mr Al-Herbish to discuss possible avenues of cooperation.

May 21

HE Dr Surood Najib, new Ambassador of Iraq to Austria, paid a courtesy call on the Director-General.

June 26

Mr. Al-Herbish received HE Ms Carla Maria Rodriguez Mancia, Ambassador of the Republic of Guatemala, who came to bid farewell and thank the Director-General for OFID's continuous support to her country.

VISITOR highlights

OFID regularly welcomes groups of students and young professionals to its premises for brief lectures on development and on OFID's contribution to socio-economic progress in its partner countries. This program forms part of OFID's outreach to youth – from both developed and developing nations – in recognition of the important role young people play in shaping the future of society.

June 25

Students from the University of Vienna assembled in the OFID Library.

April 24

Master's Degree students from the Hamburg Institute for Peace, Research and Security Policy.

May 18

Students from the Saint Mary's University of Minnesota, USA.

June 5

Students and teachers from the Texas Tech University, USA

June 27

Young diplomats and civil servants from the Caribbean and Libya on a visit arranged by the Diplomatic Academy of Vienna.

OFID in the

Field

PHOTO: UNRWA MICROFINANCE DEPARTMENT, 2012

For millions of poor people, access to even a small amount of credit can be life changing. Whether US$100 to buy high quality seeds or US$500 to purchase some basic workshop equipment, it is easily enough to help kick-start a micro-business and generate enough income for families to become self-sufficient. With some good fortune and hard work, it can also create additional job opportunities in the community. As the following success stories show, micro-credit fights poverty where it is most keenly felt – often with surprisingly good results.

Firas Birham's sign-making business in the Bethlehem region of the West Bank has gone from strength to strength thanks to a series of micro-loans accessed through OFID's PalFund scheme.

Creating opportunities for Cambodia's rural poor

OFID has a long-standing partnership with Cambodian microfinance institution AMRET, whose slogan "With you, for you" reflects its noble intentions.

BY DAMELYS DELGADO

Collective borrowing is encouraged through AMRET's Solidarity Group Credit program.

A study supported by the World Bank interviewed 60,000 people in 15 countries to study how and why certain individuals are able to escape poverty. The results were compiled in a publication entitled "Moving out of Poverty," which observes that, when the escape depends on individual efforts, then taking risks, working hard, accumulating capital and investing wisely seem to be necessary components. The research also found that to stop being poor, people need opportunities, such as access to employment, markets and, above all, financing.

The Asian Development Bank summarizes microfinance as "the provision of a broad range of financial services, such as deposits, loans, payment services, money transfers and insurance, to poor and low-income households and their micro-enterprises." Essentially, the idea is to provide the economically disadvantaged with microcredits to finance small business units.

To own cattle or a small piece of land can make a dramatic difference to the poor. This statement is well known by AMRET, a Cambodian financial institution engaged primarily in the provision of microfinance services to the rural population, in a country where an estimated 36 percent of people live below the national poverty line. Data from the World Bank points out that rural households, especially those for whom agriculture is the primary source of income, account for almost 90 percent of the poor in Cambodia, a Southeast Asian country with over 14 million inhabitants.

Lifting people out of poverty

In Khmer, the official language of Cambodia, AMRET means long-term sustainability, happiness and prosperity. Beyond the meaning itself, the institution, through its 50 branches, contributes to the alleviation of poverty by providing microfinance services to more than 261,000 active clients from rural areas. Approximately

PHOTOS: AMRET

65 percent of AMRET's loans are used to finance agricultural production, which includes mainly rice and other crops, animal husbandry, fishing and palm sugar production. AMRET credits are also used for other small business investments and services, such as handicrafts, food trading and processing, battery recharging, bicycle and motorcycle repairs, and rice mill refurbishing.

Mr Chea Phalarin, Chief Executive Officer of AMRET, remarks on the social impact of the institution's activities: "As the current average Cambodian household comprises around five people, we estimate that around 1.4 million people are benefiting indirectly from AMRET micro-credits, as total active clients numbered 270,560 in March 2012." Focusing on micro and small loans in rural and semi-rural areas, AMRET loans can range from US$25 to US$300 for Solidarity Group Credit, a lending practice where small groups borrow collectively and members encourage each other to repay. Individual credit can vary from US$100 to US$ 15,000. In terms of repayment, the funds can be repaid in three to 36 months depending on the type of credit.

Growing fast, helping more

Under its Private Sector Facility, OFID has provided three lines of credit to support the rapidly growing AMRET, to help alleviate poverty and create employment in the rural agriculture sector, where Cambodia has a major comparative advantage within the ASEAN region.

Gerry Doyle, OFID Private Sector Advisor, points out that AMRET has been a client of OFID since 2004 and explains its rapid evolution. The institution was started by the French NGO, *Groupe de Recherche et d'Echanges Technologiques* (GRET) as an experimental project in 1991. Over the years AMRET has successfully increased its operations, converting to a limited liability company, expanding its shareholder base, diversifying its funding sources, obtaining a microfinance institution license from the National Bank of Cambodia and most recently, in 2009, obtaining a license as a deposit institution.

By funding innovative options to give people opportunities to improve their lives, OFID is a proud AMRET supporter, giving hope and real solutions to the needy of Cambodia.

Two-thirds of AMRET loans are used to finance agricultural production and help strengthen food security in poor rural households.

Palestine: when taking a chance pays dividends

OFID's PalFund microfinance program has given thousands of Palestinians the opportunity to become small-enterprise owners and lead their lives with dignity. Managed by UNRWA, the revolving fund is the largest scheme of its kind operating in the region.

Firas Barham is a 29 year-old Palestinian who manages a small but successful and prominent sign-making studio in the village of Beit Sahour in the Bethlehem region of the West Bank. While he was working as an employee in another business, Firas became a regular client of UNRWA's microfinance program, when he received a consumer loan of US$1,130 in 2008 to purchase a car.

When he completed paying off this loan in early 2009, he immediately applied for a second consumer loan. He used this to help buy electrical appliances and furniture to prepare his house for himself and his fiancée to move into in mid-2009 after their marriage.

PHOTOS: UNRWA MICROFINANCE DEPARTMENT, 2012

By taking chances and using his initiative, Firas has moved from being an employee to running his own successful micro-enterprise.

At the beginning of 2010, Firas decided to take the opportunity and risk of going it alone and establishing his own business:

"I was earning about NIS 2,000 [US$500] per month, and this was not enough to build a future," he said.

For 13 years he had worked for his cousin, learning his trade and honing his skills and experience on the job, serving his apprenticeship as a teenager and young man. But he knew that if he was going to develop and provide a better life for his wife and future family he had to become his own boss.

So in 2010, Firas put together his accumulated saving and rented a workshop, stocking it with the tools and materials he needed to establish his business and create his first products. His enterprise specializes in designing and producing signage for commercial enterprises and plastic banners for advertising.

"The only difference was that I was now working in my own business, and I knew I was on my own, and I had to prove myself."

As a customer who already had two consumer loans from UNRWA, he also new that its microfinance program supported small businesses like his, so in April 2010 he applied for a business loan. He contracted his first micro-enterprise PalFund loan with a term of six months valued US$847.

Firas explained, "The loans are spent on buying tools. With my first loan I paid my monthly rent and bought an aluminum ladder. Ladders are very necessary in my line of business to install signs."

Currently, Firas is on his fifth loan from UNRWA and his third PalFund loan valued at US$565, with which he bought more raw materials, including plastic cloth and solid sheets, which are used in the manufacture of signs and banners and are resistant to heat and rain. So far, Firas has mainly used PalFund loans to meet the short-term working capital requirements of his business.

When asked how he has developed his business, Firas said, "I used to make my signs out of metal, but now the only material I use is solid plastic. It is more convenient, lighter, and much easier to shape and work with, while at the same time being more durable and thus what the customer desires."

Firas further comments that he is successful because, "I use my brain, my own initiative, and the loans wisely, which has enabled me to work independently."

He now buys his raw materials in bulk, which reduces the unit cost per meter, while he makes use of all off-cuts to save costs and be more efficient. "I am not a millionaire, and I don't plan to become one, I enjoy what I do, and it pays well, and I always try to go with the flow. When business is weak, I make sure to keep myself busy studying by Internet, searching for innovations and methods that will make my work easier and reduce my costs."

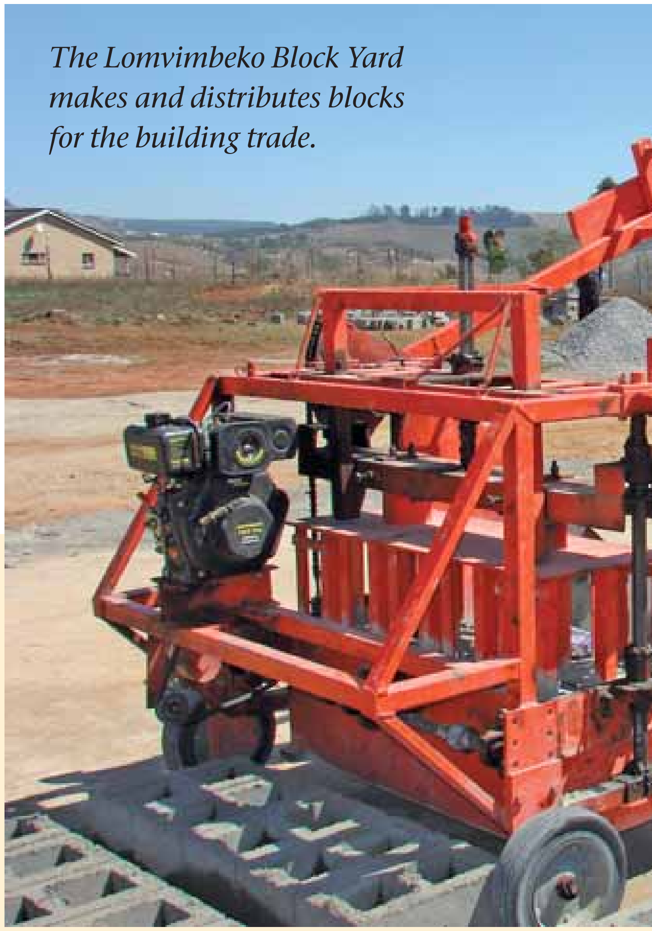
Thus, with three PalFund loans so far, Firas has moved from being a worker to a small enterprise owner shaping his own future. ■

SOURCE: UNRWA Microfinance Department

Tackling poverty in Swaziland from the grassroots up

OFID was the first international financing institution to provide a line of credit to FINCORP, the Swaziland Development Finance Corporation. This recognition has helped to build a positive image of FINCORP and increase confidence among other global partners.

BY DAMELYS DELGADO


The Lomvimbeko Block Yard makes and distributes blocks for the building trade.

When more than two-thirds of the population lives below the poverty line on less than one dollar a day, and when the unemployment rate is estimated at around 40 percent, there is an increased need to provide income-generating opportunities. Such is the case in Swaziland, a lower middle-income country in Southern Africa, where about 75 percent of the 1.1 million-strong population is engaged in subsistence agriculture.

On the one hand, the bleak picture of this small country is compounded by it having the world's highest death rate from HIV/AIDS and one of the lowest average life expectancies. On the other hand, there is promising potential, according to the World Bank, based on Swaziland's 82 percent literate labor force, above average infrastructure, and well-developed road links with South Africa, the continent's largest economy, which accounts for over 90 percent of Swazi imports and about 70 percent of Swazi exports.

After years of weak economic performance, when real GDP growth floundered at just over 2.5 percent from 2003 to 2010, compared with 3.7 percent from 1990 to 1999, the government launched an economic recovery strategy targeting the private sector as an engine of growth. Every option was considered valid in order to stimulate an economy that had been slowed by many years of deficit. Enhancing the number of small and medium size enterprises (SMEs) through microfinancing was seen as an effective way to move towards economic and social wellbeing.

In 1995, the government created FINCORP, the Swaziland Development Finance Corporation, and mandated it to finance and promote the development of Swazi-owned enterprises, support the expansion of financing to SMEs, create jobs and help provide business advisory services, such as training, monitoring, technical transfers and the development of other products and services for SMEs.

PHOTOS: FINCORP

OFID was the first international financial Institution to provide a line of credit to FINCORP, thereby paving the way for others such as the NORSAD Fund, the African Development Bank and the Industrial Development Corporation (South Africa) to support the growth of the institution.

The number of loan recipients funded by OFID over the years has climbed to over 740. As the average rate of additional employment per borrower is two employees, OFID's funding has helped create more than 1,400 jobs. With Swaziland confronted by one of the highest unemployment rates in sub-Saharan Africa, the facility has made an invaluable contribution to the creation of much needed jobs.

Mr Msibi remarks that "as an organization that provides business credit across all economic sectors, the proceeds of the OFID facility have been disbursed to many sectors of the economy." These include light manufacturing, construction, the haulage industry, public transport, order financing, retail and agribusiness. Most of the loans were issued for start-ups, with no collateral or minimal collateral requirements for the provision of financial services to Swazi nationals, in particular, women and the rural poor.

The future looks promising for FINCORP, whose new five-year strategic plan was adopted in April 2012 and will guide the company until 2017. According to Mr Msibi, the main thrust of the plan is to grow the loan commitments to a staggering US$11 million and also to broaden the product offering.

Mr Dumisani J. Msibi, Acting Managing Director of FINCORP

With a business credit from FINCORP, Philemon Malandule has been able to start up his own haulage company.

OFID – a pioneer supporting FINCORP

Dumisani J. Msibi, the Acting Managing Director of FINCORP, explains that since its inception, the cumulative loan disbursements of FINCORP to more than 60,000 Swazi clients total US$175 million. The current portfolio is US$65.1 million to just over 10,000 clients. The loan portfolio is split into four major categories: micro loans, loans to small and medium enterprises, and large loans to rural community farmers' associations that are predominantly engaged in sugar cane farming, a key foreign exchange earner for Swaziland. Loan amounts can vary from US$250 to US$600,000.

The organization has received awards from international bodies, such as the Euromarket Research Centre, and has been ranked the fifth best in Africa by the Association of African Development Finance Institutions.

OFID highlights energy poverty at Rio+20

PHOTOS: ALVINHO DUARTE/LATINCONTENT/GETTY IMAGES, 2012

At the OFID panel session on Financing Actions to Scale up from the Ground. *From left:* Ms Michelle Gyles-McDonnough, UN Resident Coordinator Barbados and the Organization of Eastern Caribbean States *(main discussant);* and panelists Mr Damian Obiglio, Mr Martin Hiller, Mr Suleiman Al-Herbish *(moderator),* Mr Alban Jacquin and Mr Pham.

In a continuation of its efforts to have energy poverty alleviation placed at the heart of the global sustainable development agenda, OFID was an active and visible participant at the June UN Summit on Sustainable Development (Rio+20). In addition to taking part in a meeting of the UN Secretary-General's High Level Group on Sustainable Energy for All, hosting a panel session and sponsoring a photographic exhibition, OFID also used the occasion as a platform for announcing the minimum US$1 billion commitment to energy poverty alleviation made by its Member Countries in the Ministerial Declaration on Energy Poverty approved on June 14.

OFID was encouraged to see the issue of sustainable energy access feature strongly in the Summit's outcome document, which stated: "We are all determined to act to make sustainable energy for all a reality, and through this, help eradicate poverty and lead to sustainable development and global prosperity."

From left:
Kandeh Yumkella, Chair of UN-Energy, and Director-General, United Nations Industrial Development Organisation, and Charles Holliday, Chairman, Bank of America, are Co-Chairs of the UN Secretary-General's High Level Group on Sustainable Energy for All, of which OFID, represented by Director-General, Suleiman J. Al-Herbish, is a member.

PHOTO: UNIDO

RIO+20 the future we want

Entitled *Financing Actions to Scale up from the Ground*, the OFID panel session took place on June 19, UN Energy Day, under the moderation of OFID Director-General, Suleiman J. Al-Herbish. Panellists included Mr Martin Hiller, Director-General of the Renewable Energy & Energy Efficiency Partnership (REEEP), Mr Alban Jacquin, head of the Sustainable Development Department at Schneider Electronic, Mr Damian Obiglio, energy consultant, and Mr Pham, Director-General at the Ministry of Planning and Investment of Vietnam.

"We are here to talk about sustainable development, which has three pillars: social, economic and environmental. The problem is that some people try to break the balance and concentrate only on the environment while ignoring the others. For the developing countries, the social and economic pillars are the most important, because they address poverty directly."

Suleiman J. Al-Herbish

"The idea here is to create platforms on which we can discuss and find solutions for topics that cannot be sorted out by one form of organization alone. What we see here at Rio+20 are partners from all walks of life coming together to work on issues of a cross cutting nature and of very high importance."

Martin Hiller

"The fundamental requirement [of electricity provision] is a clear framework that considers all aspects of the business, including the different kinds of customers and the political support to generate, transmit and distribute electricity safely. At the same time, there has to be a social approach. Through pro-poor programs, we can include new members in society."

Damian Obiglio

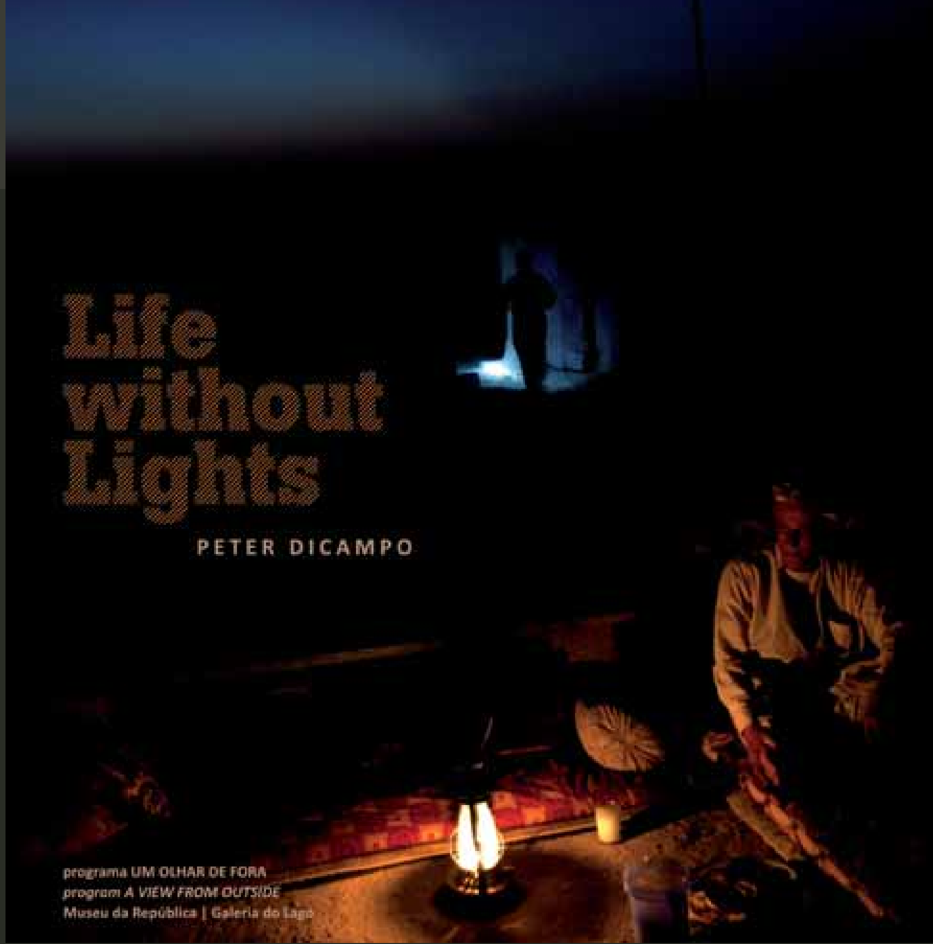
"Our [Schneider Electronic's] BipBop program aims at creating the right conditions for sustainable development at the base of the pyramid by combining business and philanthropy. We invest in local entrepreneurs who are developing innovative solutions to energy access in isolated areas, and train them to sell, maintain and develop their business."

Alban Jacquin

PHOTOS: ALVINHO DUARTE/LATINCONTENT/GETTY IMAGES, 2012

Life without Lights

On the sidelines of the Summit, OFID co-sponsored an exhibition showcasing the work of photographer Peter DiCampo entitled Life without Lights at Rio's prestigious *Musea da Republica*. Held in darkness, the exhibition gave visitors an insight into how the world looks to some 2.4 billion people living in energy poverty. Visitors were invited to view the exhibition using hand-held solar lanterns, provided by the company d.light, a social enterprise and partner of OFID.



SOURCE: BARRACAO DE IMAGENS

"I lived for two years as a volunteer in a village in northern Ghana where there was no electricity. This experience showed me the many different ways that the lack of electricity can affect village life. At the same time I had already studied photography and worked as a photographer. My photographs and this exhibition show what it is like living without light."

Peter DiCampo

The d.light design was founded on the premise that we wanted to bring affordable, durable and accessible energy products to people at the bottom of the pyramid who cannot afford electricity or are not connected to the grid. This study light gives children about four hours of light so that they can work and learn after they come home from school."

Kate Montgomery

PHOTOS: MARCELO ABDO

The rule of law and sustainable development: necessary partners

Irene Khan, Director-General of the Rome-based International Development Law Association, speaks to the *Quarterly* about inequality and exclusion and the crucial role of legal reform in the development process.

INTERVIEW BY AUDREY HAYLINS

"Rule of law protects both business interests as well as human rights. Legal reform is a crucial aspect of the development process; without it development schemes are far less likely to succeed."

Irene Khan

OQ: *Through your involvement with organizations like Amnesty International and UNHCR, you have spent many years fighting the corner of people without a voice. What progress, if any, have you seen in this regard over the past ten years?*

IK: In the past decade we have seen two parallel trends: a reversal of poverty on the one hand, and growing inequality on the other.

According to the World Bank, the percentage of people living in poverty across the world has declined. Millions of people are living healthier and longer lives, more children are going to school, more mothers are delivering their babies safely and more infants are surviving.

At the same time, in every region of the world the gap between the rich and poor has widened. Inequality and exclusion have become particularly stark in rapidly developing, middle income countries, posing a threat to social stability.

Poverty persists among what Paul Collier has described as the "bottom billion." Far too many people – women, the rural poor, indigenous peoples, minorities, migrant workers – are being left behind; their voices are not being heard. Discriminated, ignored or excluded from political participation, living in insecure or conflict-prone areas of the world and deprived of economic opportunities and access to markets, many people are trapped in poverty.

OQ: *What would you describe as the most critical challenges facing vulnerable people today?*

IK: The challenge is to focus on those who are being left behind. Take the situation of women. The 2012 World Development Report has highlighted the enormous progress that women have made in every field of social development. But then consider this: one in three women is a victim of gender violence. In too many countries, laws, policy and custom discriminate against women.

But the good news is that barriers are being broken, thanks to many factors: economic, social and political.

The Arab Spring is a clear indication of the winds of change. People feel empowered and they are demanding their rights and greater accountability from their leaders.

OQ: *How important is legal reform to the development process?*

IK: Rule of law protects both business interests as well as human rights. Legal reform is a crucial aspect of the development process; without it development schemes are far less likely to succeed.

When companies are confident that contracts and assets will be protected, they are more likely to invest, and with investments come jobs and more revenue for governments to use for development. Similarly, from the perspective of people, the protection of human rights and access to justice is critical. Unfortunately, very often the law does not work for the poor. They are not aware of their rights, do not have the resources to access justice or are denied their rights because of corruption or poor governance.

OQ: *What challenges are specific to developing countries in implementing the rule of law?*

IK: Many countries often lack the expertise and technical capacity to adopt good laws and develop good institutions. This is where IDLO can help.

But institutions and laws work best where there are informed and empowered citizens to hold governments to account. IDLO works extensively to empower civil society. For instance, its HIV legal awareness program, supported by OFID, enables people living with HIV to fight discrimination and access medical care.

OQ: *What are IDLO's priorities over the next five years?*

IK: IDLO's mission is to empower people and enable governments to reform laws and institutions to promote justice, social development and sustainable economic growth.

Looking ahead I see three priorities. First, we must support countries that are struggling to emerge from conflict or moving towards democratic governance to build their laws and institutions. Countries such as South Sudan and Kyrgyzstan or Myanmar need technical assistance to develop their democratic and legal institutions and to boost their capacity to run these institutions efficiently.

Second, we must help developing countries to build the legal framework for a green economy that is both fair and sustainable and that does not impose new burdens on developing countries. One of IDLO's most exciting and fast-growing programs is on climate change and the green economy, providing legal expertise and technical assistance to help developing countries gain access to climate financing schemes and benefit from the green economy. Two countries that have benefitted from IDLO's program are Mexico and Vietnam.

The third priority is to promote human rights and social development. One significant area of our work is women's rights. A key impediment to women's progress is gender-based violence. In Afghanistan for example, IDLO has built the capacity of the Attorney General's Office to prosecute gender crimes and has set up a legal aid service for victims.

Another area of social development where IDLO has established a strong reputation, and which we see as an area of growing importance, is health. IDLO has made a significant contribution to health laws related to HIV prevention, thanks to the support of OFID. We are now expanding that work to non-communicable diseases, which are a growing problem in many developing countries.

OQ: *What role can OFID play in addressing these priorities?*

IK: As a Member Party of IDLO, OFID has been a strong supporter of our work. There is room for us to do more together.

OFID's interests – particularly food security and energy poverty – match closely to IDLO's priorities on climate change and the green economy. But that is not all.

In the wake of the Arab Spring, institution-building and judicial reform have come to the fore. Both OFID and IDLO have strong interests and expertise in the Arab region and therefore a great potential for partnership.

Development is at the heart of OFID's mission but without the rule of law, experience shows that development cannot be sustained. Working together, OFID and IDLO can make a great difference. ■

Bio sketch

Irene Khan is the first female Director-General of IDLO, a position she assumed on January 1, 2012.

An international thought leader on human rights, gender and social justice issues, Ms Khan was Secretary General of Amnesty International from 2001 – 2009. Prior to that, she spent 21 years working for the UN High Commissioner for Refugees. She was Visiting Professor of the State University of New York Law School (Buffalo) in 2011. Ms Khan is Chancellor of Salford University (UK) and a member of the UNAIDS High Level Commission on HIV Prevention. She sits on the boards of several international human rights and development organizations. Ms Khan received the Sydney Peace Prize in 2006 for her work to end violence against women and girls. Her book, *The Unheard Truth: Poverty and Human Rights* has been translated into seven languages. Born in Bangladesh, Ms Khan studied law at the University of Manchester and Harvard Law School.

From left: HH Prince Mohammed bin Saud bin Khalid, Undersecretary of the Saudi Foreign Ministry for Information and Technology Affairs and President of the Organizing Committee of the Forum; HE Dr Abdulaziz bin Mohieddin Khoja, Saudi Minister of Culture and Information; HE Dr Michael Spindelegger, Austrian Vice Chancellor and Minister for European and International Affairs; HH Prince Mansour bin Khalid Al Saud, Ambassador of Saudi Arabia to Austria; and Dr Abdulaziz bin Saleh bin Salmah, Undersecretary of the Saudi Ministry of Culture and Information for External Media.

Saudi Arabia and Austria mark 55 years of bilateral relations

by Lilian El Rabadi–Al-Bazaz

Saudi Austria

المنتدى السعودي النمساوي

Saudi Austrian Forum

As part of celebrations marking 55 years of diplomatic relations between the Kingdom of Saudi Arabia and the Republic of Austria, the Saudi-Austrian Forum *Bridges of Dialogue,* took place May 7-9 in Vienna. Organized by the Saudi Ministry of Culture and Information and the Austrian Ministry of Foreign Affairs, the forum was held under the patronage of HE Dr Michael Spindelegger, Vice Chancellor and Minister for European and International Affairs of the Republic of Austria, and HE Dr Abdulaziz bin Mohieddin Khoja, Minister of Culture and Information of the Kingdom of Saudi Arabia.

Addressing the opening ceremony, Dr Spindelegger thanked Saudi Arabia's government for the trust put in Austria: "We truly appreciate their initiative to celebrate our long-standing and excellent bilateral relations in such a lively and forward-looking manner. We feel that this very much reflects the spirit of dialogue and the genuine mutual interest that characterizes our relationship."

The forum was an excellent opportunity to highlight the distinguished and strong ties between the two countries. At the opening ceremony, HH Prince Mansour bin Khalid Al Saud, the Saudi Ambassador to Austria commended the 55 year-long cooperation. In particular, he noted the great strides made over the past decade with the signing of several bilateral agreements and the exchange of official visits, the most significant being that of HRH King Abdullah bin Abdulaziz al Saud to Austria in 2004. During his visit, the King had confirmed the distinguished historical relations and understanding between his country and the Republic of Austria.

Dr. Khoja stressed that, since the establishment of Saudi-Austria relations in 1957, cooperation had grown steadily in political, scientific, cultural, and economic fields, reflecting a common understanding on many regional and international issues. "Moreover, these bilateral relations have projected the roles of the two peoples in the consolidation of scientific and cultural ties for decades."

PHOTO: EMBASSY OF SAUDI ARABIA/APA FOTOSERVICE/RASTEGAR

The event was another milestone in the cultural exchange between Austria and Saudi Arabia, following the establishment of the King Abdullah Center for inter-religious and inter-cultural dialogue in Vienna in the fall of 2011. Speaking at that time, Dr Spindelegger described the opening of the Center as an important means of promoting a culture of dialogue and expressed his pride in choosing the city of Vienna as its headquarters. "Austria will work with the Kingdom to serve the purposes of this center and its objectives," he noted.

The Forum comprised a number of cultural activities, including youth dialogue, academics and parliamentarian workshops and a Saudi contemporary art and photography exhibition in Vienna's *Palais Liechtenstein*. Pictures by Saudi artists, photos showing scenes of life in Saudi Arabia, as well as traditional dance acts illustrated the diverse culture of the Kingdom. The exhibition demonstrated the revival of interest in international art traditions. Accompanying activities, such as a visit to a desert tent, demonstrated the traditional way of living in Saudi Arabia.

As part of the celebrations, conversations were organized between young people from Saudi Arabia and Austria in order to contribute better to intercultural understanding on the diverse concepts of life.

OFID's contribution to the Forum was an event at the institution's headquarters. Guests included Dr Khoja, members of parliament and of the foreign ministries of both countries, as well as individuals from the local academic community.

Addressing the delegates, OFID Director-General Mr Al-Herbish said that the steadfast support of OFID Member Countries, including Saudi Arabia, had been instrumental in helping the institution carry out its mission, particularly with regard to the Energy Poverty Initiative, which had been "pushed to the forefront of OFID's activities." Dr Khoja thanked Mr Al-Herbish for his remarks and expressed, on behalf of his country, pride in the "excellent work" of OFID and its staff.

There followed a presentation on OFID's activities, which highlighted King Abdullah's Energy for the Poor Initiative as well as OFID's efforts in carrying out this call to action on the ground. The relationship between OFID and its host country was also covered.

The event concluded with a traditional Saudi folk dance performance. Dance is an important element of Saudi culture, with all 13 regions of the Kingdom passing on the tradition from generation to generation. Performed on special occasions, the dances involve the use of instruments and props, such as swords or fire. Some 20 dancers displayed some of the most popular traditional dances.

Trade fact file

Figures show that trade between Austria and Saudi Arabia reached record highs in 2011. For the first time, bilateral trade volume broke the EUR 1 billion mark. Saudi exports to Austria exploded by 1,093 percent to EUR 498.4 million and consisted mainly of crude oil deliveries. Austrian exports to the Kingdom increased by 38 percent, reaching EUR 534.2 million, and included steel (up 733 percent), goods made of iron and steel (up 105 percent), electric machinery (up 99 percent), fruit juice (up 76 percent) and industrial machines (up 64 percent).

SOURCE: www.FriedlNews.com

A troupe of 20 Saudi folk dancers performed in the OFID atrium.

Algeria marks 50 years of independence

On July 5, OFID Member Country Algeria celebrated the golden jubilee of its independence from France in 1962. It was a day of celebrations for Algerians at home and around the world. In the following interview, **HE Mohamed Benhocine**, Algerian Ambassador to Austria, describes his country's transformation from French colony to independent and free nation, including the political struggles and social and economic challenges and achievements.

HE Mohamed Benhocine has a long and distinguished career in the Algerian foreign service, including assignments at the World Bank and the International Fund for Agricultural Development and tours of duty in Switzerland, the United States, Spain, France, Denmark, Chile and Tunisia. He took up his new post as Ambassador of Algeria to Austria and Permanent Representative to the International Organizations in Vienna in May this year.

OQ: *In July, Algeria is celebrating 50 years of independence after 132 years of French colonial rule. Can you tell us what this historic landmark means for the Algerian people?*

MB: Algeria is actually a very old country, stretching back to the times of the great Berber King Masinissa. The rebirth that we experienced half a century ago brought dramatic change. For well over 100 years, Algeria had been a settlement colony, with everything directed by the French. Algerians had no role to play. When we gained our independence in 1962, we had to build everything from scratch. We did not have all the highly qualified people to do this ourselves, but nevertheless we had to organize ourselves to advance. In this connection and during the first years, we had to request technical assistance from the international community. It is also to be pointed out that while we had political independence, we had absolutely no economic independence. Algeria is rich in natural resources, not just oil and gas, but gold, coal, copper, phosphates and many other minerals as well. All of this was the property of the ex-colonial country. So the priority of all Algerian governments in the early years was to recover these assets, without which we could not survive as a country. It was a very long struggle, but one that we won, so to be where we are today is a cause for celebration by all Algerians.

Algerian President Abdelaziz Bouteflika lays a wreath to commemorate those who fell in May 1945 during the Algerian war of independence.

PHOTO: LOUAFI LARBI/REUTERS

OQ: *What would you say have been the main political, social and economic achievements of the past decades?*

MB: We have lived through some very difficult times, especially politically. In the beginning, we continued with a single party system, thinking that the party that had guided us to liberation would surely guide us to economic independence. This view changed in 1989, when we introduced a new constitution with a multi-party system, freedom of the press, freedom of association, freedom of speech, and so on. It was the first totally democratic constitution in the Arab world. And right after that almost 100 parties were created. But we also had at that time a very radical branch of Islamism, which impeded the normal democratic process. It was a very painful and bloody time, but with the help of all Algerians, we came through it as a people and a government. Today, we have about 50 political parties, and more than ten of them are represented in the parliament. So it is a country that is doing well on the path of democracy. That is why there is no question of an Arab Spring in Algeria. We had our "Spring" in 1988.

With regard to social progress, the statistics are particularly impressive. For instance, life expectancy at independence was 46 years. Today it is 76 years. In 1962, the literacy rate was 10 percent; in French, of course, as Arabic was denied. Today the literacy rate is close to 95 percent for those below the age of 50, while the overall level is 90 percent in Arabic, and for many people in French too. In 1954, when we started our struggle for independence we had, out of 10 million people, less than 500 students in French universities. Today we have 1.2 million students in Algerian universities out of a population of 37 million. These are clear indicators that we have made excellent progress. Economically, let me tell you that at this time of sovereign debt crisis across Europe, Algeria has no debt. It has US$4 billion of private debt and US$200 billion in reserves. So, while we have certainly made mistakes in the past 50 years, we have also taken great strides forward.

OQ: *Looking ahead, what would you identify as the main challenges facing Algeria in terms of socio-economic development?*

MB: The greatest challenge is decreasing our dependence on oil and gas. Of course we are very happy to have these two resources, but we are overly reliant on them. We need to evolve into a vibrant, producing economy. We do produce many things – more than people think – but most of our production is consumed in Algeria. We do not export. On the other hand, we still have some way to go to reach a real free market-based economy. As I told you, we had a single ▶

> “The greatest challenge is decreasing our dependence on oil and gas… We need to evolve into a vibrant, producing economy.”
> Mohamed Benhocine

◀ party system until 1989. We had also a command economy in the same period, a state owned economy so to speak. Now we have freed this economy and it is open to private operators, who are more and more powerful. But we have not yet reached cruising speed.

OQ: *Algeria's population has increased more than three-fold since independence, creating an unusually large young demographic. What does this mean in terms of youth unemployment?*

MB: The modern Algeria started life with just 10 million people. There was so much to do, everybody had a job. Then came the population explosion. Unfortunately, we did not take action to curb it, and now our population stands at 37 million. This has presented us with huge challenges, and we are working hard to address them. Ten years ago, the total unemployment rate was 20 percent. Since then, the betterment of oil and gas revenues has permitted our President, President Abdelaziz Bouteflika, to launch a huge economic recovery program, which is still in progress. This ongoing program has considerably reduced unemployment. We have reduced it today to around 10 percent, which is still high, but we have made great progress. The big problem is youth unemployment, which remains very high at over 20 percent. Many of our unemployed young people have college degrees or diplomas, which is not a nice situation to be in. We are trying all kinds of solutions, including retraining and micro-credit. We have a number of institutions dedicated to promoting youth employment by providing easy access to credit and helping them to create small enterprises. We are also working hard to encourage foreign investment. This is one of the most important challenges, and we are still facing it.

OQ: *Algeria received praise for the high number of women elected in the recent parliamentary elections, with women securing almost one-third of seats. Does this reflect the growing role of women across Algerian society in general?*

MB: Certainly, although this third in the parliament is because President Bouteflika and the government introduced a proactive law for election. Earlier, the law stated that each party had to present an equal number of men and women for election. Now, the law dictates that a certain percentage of elected representatives *must* be women. In the cities it is 40 percent, for example. In remote areas, where women are not so active, it is 30 percent and for the representatives of Algerians residing abroad, the proportion is 50 percent. It is the first law of its kind in the world. Our president thought it was necessary to bring women into politics and to make it seen that they can act as efficiently as men, maybe even more so. We only have to look back to the courageous role women played in leading the fight against radical Islamism to appreciate how active they can be.

It is true, also, that women have a prominent role in all sectors of society. Out of the 1.2 million university students, 54 percent are girls. For these young women, succeeding in their studies is the best form of independence, and in an Islamic country this is very important. The result is that today 52 percent of medical professionals are women; the same applies to university professors. Women are also very present in the economic and business fields. We take this as an indication that the educational policy of Algeria has worked.

OQ: *Algeria is a founding member of OFID and played an instrumental role in its establishment. How would you describe Algeria's relationship with OFID today?*

MB: Yes, as you say, Algeria played a key role in OFID's establishment. When the price of oil went up in the early 1970s, this did hurt importing developing countries, and Algeria was very concerned. In fact, I was at the United Nations in 1974 as a member of the Algerian Permanent Mission, when we proposed setting up a special fund together with developed countries. The idea was that we would all put some money in to help these oil importing developing countries. This proposal at the UN did not work, since only Venezuela and Algeria proposed a financial contribution. So, at the first OPEC Summit in Algiers in 1975, we argued that we should have a financial instrument of our own, as oil exporting developing countries, to help oil importing developing countries. We were very happy that the OPEC countries accepted this idea.

OFID is needed as much today as it was all those years ago. Hopefully its role will increase through borrowing. If the institution can get its triple A rating and go to the market, maybe it could lend more. So from the perspective of the Algerian government, we are happy OFID exists. We think it is doing a good job. I know that OFID has established perfect working relations with other financial institutions like the World Bank, the regional development banks and many of the UN agencies. It is important to have this kind of global cooperation, and we are very happy about it. ■

PHOTOS: OPEC

HE Mr Ali Al-Naimi *(left),* Minister of Petroleum and Mineral Resources of Saudi Arabia and OPEC Secretary General Mr Abdalla Salem El Badri.

5th OPEC International Seminar considers stability of demand

Industry experts predict that fossil fuels will remain the most stable and cost-efficient source of energy for development over the next 25 years, as energy demand rises in tandem with rapid population growth.

BY FATIMAH ZWANIKKEN

The 5th OPEC International Seminar was held in Vienna, Austria, 13–14 June 2012 under the theme *Petroleum: Fuelling Prosperity, Supporting Sustainability*. Organized against the background of geopolitical and economic change and uncertainty, the seminar aimed at fostering cooperation, dialogue and transparency in order to better meet financial, technological and human resource requirements for capacity expansion in the industry, as well as to enhance access to modern, affordable and sustainable energy for all.

The event brought together about 700 delegates, including the oil ministers of all OPEC Member Counties, as well as several other oil-producing countries, chief executives of national and international oil companies and the energy industry, representatives of multilateral organizations – including OFID – academics, analysts and the media. Among the speakers were Günther H Oettinger, EU Energy Commissioner; Christophe de Margerie, CEO of Total; Christiana Figueres, Executive Secretary, United Nations Framework Convention on Climate Change; Aldo Flores-Quiroga, Secretary General, International Energy Forum; Ryan M Lance, CEO of ConocoPhillips; Lars H Thunell, Executive Vice President and CEO, International Finance Corporation; Peter Voser, CEO of Royal Dutch Shell; and Wang Dongjin, Vice President, China National Petroleum Corporation.

The discussions were structured in five sessions: (i) The Global Energy Scene, (ii) Oil and the World Economy, (iii) Capacity Expansion and Investment, iv) Technology, Environment and Policies, and (v) Petroleum for Progress and Cooperation.

Opening the Seminar, OPEC Conference President and Minister of Oil for Iraq HE Abdul-Kareem Luaibi Bahedh confirmed OPEC's longstanding commitment to international macroeconomic stability and growth, as outlined in Article 2 of the OPEC Statute: "The Organization shall devise ways and means of ensuring the stabilization of prices in international oil markets with a view to eliminating harmful and unnecessary fluctuations."

HE Abdul-Kareem Luaibi Bahedh

The complementary missions of OPEC and OFID were highlighted by HE Mr Ali Al-Naimi, Minister of Petroleum and Mineral Resources of Saudi Arabia, and HE Dr Heinz Fischer, Federal President of the Republic of Austria.

◀ In his opening speech, Dr Fischer highlighted OPEC's commitment to securing global economic stability and spreading the benefits of growth, both in Member Countries and in more disadvantaged countries and regions, as evidenced by the establishment of OFID in 1976. Referring to his recent visit to OFID, Dr Fischer commended the organization for its impressive role in combating poverty, especially energy poverty alleviation, a goal embedded in the United Nations Sustainable Energy for All Initiative and which is shared by OPEC and other energy producers.

Mr Al-Naimi joined Dr Fischer in commending the work of OFID as a development financing institution, with energy poverty reduction – one of the key challenges facing the global energy community – as its top priority within the sustainable development agenda.

The conference heard that, out of a total world population of seven billion people, 2.5 billion rely on traditional biomass for cooking, agro-processing and heating. About 1.3 billion people do not have access to electricity, and another one billion have only sporadic access.

Problems of energy poverty would likely worsen as energy demand rises by 45 percent by 2030 in tandem with rapid population growth. Some 70 percent of the demand increase would come from the developing countries, particularly in sub-Saharan Africa and developing Asia, where the rate of population growth exceeds the pace of electrification.

The seminar concluded that all forms of energy have a role to play in meeting this demand growth – a global responsibility to be shared by all energy agents. While the role of renewables in the energy mix is expected to increase gradually over time, their overall contribution to helping meet the expected energy demand and reduce energy poverty is likely to remain modest for the next 25-30 years. There are several reasons for this. Many alternatives to fossil fuels are still costly, and methods for providing modern energy services are not necessarily more cost-effective and accessible as such to the poor.

Participants noted that fossil fuels would remain the most stable, reliable and cost-effective source of energy for development for at least the next two-and-a-half decades, meeting some 80 percent of the projected future primary energy demand.

PHOTO: OPEC

Oil would remain the number one source, with a growing share for natural gas, amid abundant energy resources. It was concluded that advancing technology would be central for meeting the increased energy demand and for improving environmental standards. Heavy stress should therefore be placed on improving efficiency throughout the industry. This, together with the use of cleaner technologies such as carbon capture and storage might yield rewards that exceed the benefits of renewable energy sources.

The conference noted that the predominance of fossil fuels should place the oil industry at the center of ongoing global efforts to achieve affordable, clean and efficient energy for all by 2030. The oil industry has a direct interest in universal energy access, which would help improve the business climate and create markets in the South, and has a major role to play in the quest for innovative solutions in finance and technology. This, in turn, would require security of demand, which in today's global environment could be negatively affected by several factors, notably the spillover effects of the sovereign debt crisis in Europe on economic growth in emerging markets, particularly China and India. ■

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Our vision

To aspire to a world where Sustainable Development, centred on human capacity-building, is a reality for all.

Our mission

To foster South-South Partnership with fellow developing countries worldwide with the aim of eradicating poverty.

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Parkring 8, A-1010 Vienna, Austria
P.O. Box 995, A-1011 Vienna, Austria
Telephone: (+43-1) 515 64-0
Fax: (+43-1) 513 92-38
www.ofid.org